Salcon Berhad

(Company No. 593796-T)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2013

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are stated in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	24,944	31,164
Non-controlling interests	32,633	-
	57,577	31,164

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

Since the end of the previous financial year, the Company paid a first and final dividend of 1.0 sen per ordinary share, single tier totalling RM5,393,000 in respect of the financial year ended 31 December 2012 on 27 August 2013.

The first and special final single tier dividend of 3.0 sen per ordinary share totalling RM18,249,000 recommended by the Directors in respect of the financial year ended 31 December 2013, is subject to the approval of the owners of the Company at the forthcoming Annual General Meeting.

Company No. 593796-T

Directors of the Company

Directors who served since the date of the last report are:

Dato' Seri (Dr.) Goh Eng Toon
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Dr. Freezailah bin Che Yeom
Ho Tet Shin
Dato' Choong Moh Kheng

Directors' interests

The interests and deemed interests in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses and children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
The Company				
Direct interest				
Dato' Seri (Dr.) Goh Eng Toon	-	1,800,000	-	1,800,000
Tan Sri Dato' Tee Tiam Lee	26,796,400	2,900,000	-	29,696,400
Dato' Leong Kok Wah	700,000	2,900,000	-	3,600,000
Dato' Dr. Freezailah bin Che Yeom	50,400	-	-	50,400
Dato' Choong Moh Kheng	2,055,000	900,000	70,000	2,885,000
Deemed interest				
Dato' Seri (Dr.) Goh Eng Toon (1)	66,709,600	-	-	66,709,600
Tan Sri Dato' Tee Tiam Lee (2)	29,397,400	-	-	29,397,400
Dato' Leong Kok Wah (3)	67,009,600	-	-	67,009,600
Ho Tet Shin (4)	21,400	-	-	21,400
Dato' Choong Moh Kheng (5)	10,000,000	-	500,000	9,500,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2013	**Granted**	**Exercised**	**At 31.12.2013**
The Company				
Direct interest				
Dato' Seri (Dr.) Goh Eng Toon	1,500,000	800,000	1,800,000	500,000
Tan Sri Dato' Tee Tiam Lee	1,400,000	1,500,000	2,900,000	-
Dato' Leong Kok Wah	1,400,000	1,500,000	2,900,000	-
Dato' Dr. Freezailah bin Che Yeom	1,200,000	500,000	-	1,700,000
Ho Tet Shin	1,200,000	500,000	-	1,700,000
Dato' Choong Moh Kheng	1,200,000	500,000	900,000	800,000

Directors' interests (continued)

Particulars of the Directors' interests in the warrants during the financial year are as follows:

	Number of Warrants 2007/2014			
	At 1.1.2013	Acquired	Disposed	At 31.12.2013
The Company				
Direct interest				
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
Dato' Dr. Freezailah bin Che Yeom	12,700	-	-	12,700
Deemed interest				
Dato' Seri (Dr.) Goh Eng Toon (1)	16,704,800	-	16,704,800	-
Tan Sri Dato' Tee Tiam Lee (2)	7,370,650	-	7,370,650	-
Dato' Leong Kok Wah (3)(ii)	16,704,800	-	16,704,800	-
Ho Tet Shin (4)	10,700	-	-	10,700

(1) (i) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(3) (i) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 6A of the Companies Act, 1965.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(4) Deemed interested through the shares held under the estate of his spouse (Wong Sook Kuen).

(5) Deemed interested through shareholding in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Warrants 2007/2014 and the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

During the financial year, the Company issued:

a) 54,025,268 new ordinary shares of RM0.50 each for total cash consideration amounting to RM31,605,000 via private placement, and

b) 32,541,000 new ordinary shares of RM0.50 each for total cash consideration amounting to RM16,821,000 arising from the exercise of ESOS at a weighted average exercise price of RM0.52 per ordinary share.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Warrants 2007/2014

On 18 May 2007, the Company issued 106,022,701 free detachable warrants ("Warrants 2007/2014") pursuant to a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each ("Rights Shares") to the entitled shareholders ("Rights Issue") on the basis of two (2) Rights Shares with one (1) Warrant 2007/2014 attached for every two (2) existing shares held.

Each Warrant 2007/2014 entitles the registered holder to subscribe for one (1) new ordinary share of RM0.50 each of the Company at any time on or after 18 May 2007 to 17 May 2014, at an exercise price of RM0.75 per share or such adjusted price in accordance with the provisions in the Deed Poll dated 12 April 2007. Any Warrants 2007/2014 not exercised during the exercise period will lapse and become void.

The shares arising from the exercise of Warrants 2007/2014 shall rank *pari passu* in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2007/2014.

The outstanding Warrants 2007/2014 remain unexercised at the end of the financial year amounting to 104,912,701 (2012: 104,912,701).

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 23 June 2010, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued and paid up share capital of the Company to eligible Directors and employees of the Group. Subsequently, the Company had on 20 June 2012 obtained shareholders' approval to amend the existing By-Laws governing the ESOS and granting of ESOS options to Non-Executive Directors of Salcon Berhad.

Options granted over unissued shares (continued)

The salient features of the ESOS scheme are, *inter alia*, as follows:

i) Maximum allowable allotment and basis of allocation

The maximum number of new ordinary shares of RM0.50 each in the Company ("Salcon Shares") that may be offered under the ESOS Options to eligible persons shall take into consideration, amongst other factors, the eligible persons' seniority and performance subject to the following:

(a) Not more than 50% of the total number of Salcon Shares to be issued under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Group; and

(b) Not more than 10% of the total number of Salcon Shares to be issued under the ESOS would be allocated to any one eligible person, who either singly or collectively through person(s) connected with him/her holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares).

ii) Eligibility to participate in the ESOS

Generally, all eligible Persons of the Group who fulfill the following conditions shall be eligible to participate in the ESOS:

a) in respect of an employee, the employee must fulfill the following criteria as at the Date of Offer:

(i) he/she is at least eighteen (18) years of age;
(ii) he/she is employed full time by and on the payroll of any company in the Group;
(iii) his/her employment must have been confirmed and he/she is employed by any company in the Group for more than one (1) year on the Date of Offer (except in respect of Directors);
(iv) he/she complies fully with any other criteria set by the ESOS committee.

b) in respect of a Director, whether executive or Non-Executive, the following criteria must be fulfilled as at the Date of Offer:

(i) the Director is at least eighteen (18) years of age;
(ii) the Director has served as a Director within the Salcon Group for a continuous period of more than one (1) year on the Date of Offer;
(iii) specific allocation of new shares to the Director of the Company under the Scheme must have been approved by the shareholders of Salcon in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
(iv) he/she complies fully with any other criteria set by the ESOS committee.

Company No. 593796-T

Options granted over unissued shares (continued)

ii) Eligibility to participate in the ESOS (continued)

The ESOS Committee reserves the right to set different eligibility criteria for foreign incorporated subsidiaries of Salcon.

The selection of any Eligible Persons for participation in the ESOS shall be at the discretion of the ESOS Committee, and the decision of the ESOS Committee shall be final and binding.

iii) Duration of the ESOS

The ESOS shall be valid for a duration for five (5) years from the effective date of implementation and may, if the Board deems fit, upon the recommendation of the ESOS Committee, be extended for a further five (5) years, subject to a maximum aggregate of ten (10) years from the effective date of implementation of the ESOS.

iv) Subscription price

Subject to any adjustment that may be made in accordance with the Bylaws of the ESOS, the price payable for the exercise of an option under the ESOS shall be determined by the ESOS Committee at its sole discretion based on the five (5) day weighted average market price of the underlying shares immediately prior to the date of offer is made by the ESOS Committee, with a discount of not more than ten per centum (10%) thereon, if deemed appropriate, or the par value of the Salcon Shares, whichever is the higher.

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise prices are as follows:

		Number of options over ordinary shares of RM0.50 each				
Date of offer	**Exercise price**	**At 1.1.2013**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2013**
9 July 2010	RM0.57	17,772,900	-	7,745,500	1,081,000	8,946,400
1 July 2011	RM0.52	1,125,000	-	407,000	207,000	511,000
2 July 2012	RM0.50	6,198,000	-	1,460,000	72,000	4,666,000
14 May 2013	RM0.50	-	30,135,250	22,928,500	245,000	6,961,750

During the current financial year, exemption has been granted by the Companies Commission of Malaysia to the Company from having to disclose in this report the names of person to whom less than 700,000 options for the new options granted in 2013. The details of their holdings as required by Section 169(11) of the Companies Act, 1965, and this information have been separately filed with the Companies Commission of Malaysia.

Other than the Directors whose interests are disclosed separately in the Directors' interest, the names of option holders whose options granted in 2013 of 700,000 or more ordinary shares of RM0.50 each are disclosed in Note 36 to the financial statements.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the effect of disposal of subsidiaries during the financial year as disclosed in Note 23 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Company No. 593796-T

Significant event

The significant event during the year is disclosed in Note 37 to the financial statements.

Subsequent event

The subsequent event is disclosed in Note 38 to the financial statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Seri (Dr.) Goh Eng Toon

....

Tan Sri Dato' Tee Tiam Lee

Kuala Lumpur,

Date: 25 April 2014

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Assets					
Property, plant and equipment	3	83,112	81,219	-	-
Intangible assets	4	3,683	138,704	-	-
Trade and other receivables	5	-	515,236	-	-
Investment properties	6	8,446	8,446	-	-
Investments in subsidiaries	7	-	-	157,220	204,874
Investment in an associate	8	27,850	28,329	-	-
Other investments	10	-	86	-	-
Deferred tax assets	11	5,673	2,420	-	-
Total non-current assets		128,764	774,440	157,220	204,874
Trade and other receivables, including derivatives	5	242,581	309,674	175,824	201,683
Inventories	12	26,067	26,404	-	-
Current tax assets		1,037	1,366	1,037	1,314
Assets classified as held for sale	13	660,733	-	-	-
Cash and cash equivalents	14	147,398	115,392	104,130	4,733
Total current assets		1,077,816	452,836	280,991	207,730
Total assets		1,206,580	1,227,276	438,211	412,604
Equity					
Share capital		304,152	260,869	304,152	260,869
Reserves		103,025	75,995	72,496	62,686
Retained earnings/ (Accumulated losses)		99,242	79,691	19,057	(6,714)
Total equity attributable to owners of the Company	15	506,419	416,555	395,705	316,841
Non-controlling interests		213,937	225,490	-	-
Total equity		720,356	642,045	395,705	316,841
Liabilities					
Loans and borrowings	16	20,917	263,078	-	59,540
Deferred tax liabilities	11	4,209	6,495	-	-
Total non-current liabilities		25,126	269,573	-	59,540

Company No. 593796-T

Statements of financial position at 31 December 2013

(continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade and other payables, including derivatives	18	167,505	230,429	42,506	9,223
Loans and borrowings	16	10,374	80,582	-	27,000
Current tax liabilities		1,215	4,647	-	-
Liabilities classified as held for sale	13	282,004	-	-	-
Total current liabilities		461,098	315,658	42,506	36,223
Total liabilities		486,224	585,231	42,506	95,763
Total equity and liabilities		1,206,580	1,227,276	438,211	412,604

The notes on pages 20 to 118 are an integral part of these financial statements.

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000 restated	2013 RM'000	2012 RM'000
Revenue	19	164,612	182,146	398	16,070
Cost of sales		(142,386)	(159,642)	-	-
Gross profit		22,226	22,504	398	16,070
Other income		7,714	14,508	56,181	316
Distribution expenses		(3,355)	(3,219)	(48)	(82)
Administrative expenses		(51,254)	(33,703)	(23,376)	(7,467)
Other expenses		(3,166)	(1,572)	-	-
Results from operating activities		(27,835)	(1,482)	33,155	8,837
Finance income		1,187	2,360	3,314	3,644
Finance costs	21	(7,281)	(5,772)	(5,052)	(3,832)
Operating (loss)/profit		(33,929)	(4,894)	31,417	8,649
Share of profit of equity-accounted associates, net of tax		3,173	3,483	-	-
(Loss)/Profit before tax		(30,756)	(1,411)	31,417	8,649
Income tax	22	1,077	(1,951)	(253)	(2,748)
(Loss)/Profit from continuing operations		(29,679)	(3,362)	31,164	5,901
Discontinued operations					
Profit from discontinued operation, net of tax		87,256	34,824	-	-
Profit for the year	24	57,577	31,462	31,164	5,901

Company No. 593796-T

Statements of profit or loss and other comprehensive income for the year ended 31 December 2013 (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000 restated	Company 2013 RM'000	Company 2012 RM'000
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		38,510	(4,546)	-	-
Total comprehensive income/ (expense) for the year, net of tax		38,510	(4,546)	-	-
Total comprehensive income for the year		96,087	26,916	31,164	5,901
Profit attributable to:					
Owners of the Company		24,944	11,282	31,164	5,901
Non-controlling interests		32,633	20,180	-	-
Profit for the year		57,577	31,462	31,164	5,901
Total comprehensive income attributable to:					
Owners of the Company		42,164	9,706	31,164	5,901
Non-controlling interest		53,923	17,210	-	-
Total comprehensive income for the year		96,087	26,916	31,164	5,901
Basic (loss)/earnings per ordinary share (sen):	26				
from continuing operation		(5.79)	(1.09)		
from discontinued operations		10.29	3.30		
		4.50	2.21		
Diluted (loss)/earnings per ordinary share (sen):	26				
from continuing operation		(5.62)			
from discontinued operations		9.99			
		4.37			

The notes on pages 20 to 118 are an integral part of these financial statements.

Salcon Berhad

(Company No. 593796-T)
(Incorporated in Malaysia)

and its subsidiaries

Statements of changes in equity for the year ended 31 December 2013

		Attributable to Owners of the Company								
			Non-distributable				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2012		237,154	36,627	22,150	14,885	2,347	76,235	389,398	159,032	548,430
Foreign currency translation differences for foreign operations		-	-	-	(1,576)	-	-	(1,576)	(2,970)	(4,546)
Total other comprehensive income for the year		-	-	-	(1,576)	-	-	(1,576)	(2,970)	(4,546)
Profit for the year		-	-	-	-	-	11,282	11,282	20,180	31,462
Total comprehensive income for the year		-	-	-	(1,576)	-	11,282	9,706	17,210	26,916
Issuance of shares	15	23,715	-	-	-	-	-	23,715	-	23,715
Share-based payment transactions	17	-	-	-	-	1,562	-	1,562	-	1,562
Dividends to owners	27	-	-	-	-	-	(7,826)	(7,826)	-	(7,826)
Dividends to non- controlling interests		-	-	-	-	-	-	-	(4,140)	(4,140)
Total transactions with owners of the Company		23,715	-	-	-	1,562	(7,826)	17,451	(4,140)	13,311
Acquisition of subsidiaries		-	-	-	-	-	-	-	44,708	44,708
Issuance of shares to non-controlling Interests		-	-	-	-	-	-	-	8,680	8,680
At 31 December 2012		260,869	36,627	22,150	13,309	3,909	79,691	416,555	225,490	642,045
		Note 15	Note 15	Note 15	Note 15	Note 15	Note 15			

Company No. 593796-T

Statements of changes in equity for the year ended 31 December 2013 (continued)

		Attributable to Owners of the Company								
			Non-distributable				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2013		260,869	36,627	22,150	13,309	3,909	79,691	416,555	225,490	642,045
Foreign currency translation differences for foreign operations		-	-	-	17,220	-	-	17,220	21,290	38,510
Total other comprehensive income for the year		-	-	-	17,220	-	-	17,220	21,290	38,510
Profit for the year		-	-	-	-	-	24,944	24,944	32,633	57,577
Total comprehensive income for the year		-	-	-	17,220	-	24,944	42,164	53,923	96,087
Issuance of shares	15	27,013	4,592	-	-	-	-	31,605	-	31,605
Share-based payment transactions	17	-	-	-	-	4,667	-	4,667	-	4,667
Dividends to owners	27	-	-	-	-	-	(5,393)	(5,393)	-	(5,393)
Dividends to non- controlling interests		-	-	-	-	-	-	-	(662)	(662)
Share options exercised		16,270	551	-	-	-	-	16,821	-	16,821
		43,283	5,143	-	-	4,667	(5,393)	47,700	(662)	47,038
Change in ownership interests in a subsidiary		-	-	-	-	-	-	-	(39,228)	(39,228)
Total transactions with owners of the Company		43,283	5,143	-	-	4,667	(5,393)	47,700	(39,890)	7,810
Issuance of shares to non-controlling interests		-	-	-	-	-	-	-	6,493	6,493
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	(32,079)	(32,079)
Transfer to share premium for share options exercised		-	5,185	-	-	(5,185)	-	-	-	-
At 31 December 2013		304,152	46,955	22,150	30,529	3,391	99,242	506,419	213,937	720,356
		Note 15	Note 15	Note 15	Note 15	Note 15	Note 15			

Company No. 593796-T

Statements of changes in equity for the year ended 31 December 2013 (continued)

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	(Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
		← Non-distributable			→		
At 1 January 2012		237,154	36,627	22,150	2,347	(4,789)	293,489
Profit and total comprehensive income for the year		-	-	-	-	5,901	5,901
Issue of ordinary shares	15	23,715	-	-	-	-	23,715
Share-based payment transactions	17	-	-	-	1,562	-	1,562
Dividends to owners	26	-	-	-	-	(7,826)	(7,826)
Total transactions with owners of the Company		23,715	-	-	1,562	(7,826)	17,451
At 31 December 2012/ 1 January 2013		260,869	36,627	22,150	3,909	(6,714)	316,841
Profit and total comprehensive income for the year		-	-	-	-	31,164	31,164
Issue of ordinary shares	15	27,013	4,592	-	-	-	31,605
Share-based payment transactions	17	-	-	-	4,667	-	4,667
Share options exercised		16,270	551	-	-	-	16,821
Dividends to owners	26	-	-	-	-	(5,393)	(5,393)
Total transactions with owners of the Company		43,283	5,143	-	4,667	(5,393)	47,700
Transfer to share premium for share options exercised		-	5,185	-	(5,185)	-	-
At 31 December 2013		304,152	46,955	22,150	3,391	19,057	395,705
		Note 15	Note 15	Note 15	Note 15		

The notes on pages 20 to 118 are an integral part of these financial statements.

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 December 2013

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
(Loss)/Profit before tax				
- continuing operations	(30,756)	(1,411)	31,417	8,649
- discontinued operations	96,326	40,306	-	-
	65,570	38,895	31,417	8,649
Adjustments for:				
Amortisation of concession intangible assets	1,304	3,213	-	-
Amortisation of government grant	(656)	(626)	-	-
Amortisation of intangible assets	412	412	-	-
Depreciation of property, plant and equipment	4,218	4,256	-	-
Dividend income	-	-	(398)	(16,070)
Equity settled share-based payment transactions	4,667	1,562	1,359	239
Finance costs	21,037	18,428	5,052	3,832
Finance income	(17,642)	(13,492)	(3,314)	(3,644)
Gain on bargain purchase	-	(10,993)	-	-
Gain on disposal of property, plant and equipment	(2,559)	(32)	-	-
Gain on disposal of subsidiaries	(26,108)	-	(51,435)	-
Impairment loss on other investments	86	-	-	-
Loss on disposal of property, plant and equipment	226	-	-	-
Share of profit of equity-accounted associate, net of tax	(3,173)	(3,483)	-	-
Property, plant and equipment written off	3,203	110	-	-
Unrealised loss on foreign exchange	122	401	3,162	2,175
Operating profit/(loss) before changes in working capital	50,707	38,651	(14,157)	(4,819)

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2013 (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before changes in working capital	50,707	38,651	(14,157)	(4,819)
Changes in trade and other receivables	(117,737)	(2,266)	(15,484)	(3,921)
Changes in inventories	(2,820)	(3,588)	-	-
Changes in trade and other payables	60,521	(27,848)	30,224	399
Cash (used in)/generated from operations	(9,329)	4,949	583	(8,341)
Interest paid	(21,037)	(16,295)	(5,052)	(3,832)
Tax (paid)/refund	(10,981)	(4,924)	24	(56)
Net cash (used in)/from operating activities	(41,347)	(16,270)	(4,445)	(12,229)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(5,878)	(55,061)	-	-
Acquisition of concession intangible assets	(24,131)	(10,156)	-	-
Acquisition of investment properties	-	(3,342)	-	-
Acquisition of subsidiary, net of cash acquired	(32,687)	(53,445)	(32,687)	(48,847)
Disposal of discontinued operations, Proceeds from disposal, net of cash & cash equivalent disposed of SPA-A	141,122	-	171,537	-
Dividends received from				
- Associated company	3,652	3,804	-	-
- Subsidiaries	-	-	-	571
Interest received	-	2,898	3,314	3,644
Proceeds from disposal of property, plant and equipment	2,876	606	-	-
Release of amount placed with debts service reserve accounts	4,402	-	-	-
Net cash from/(used in) investing activities	89,356	(114,696)	142,164	(44,632)

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2013 (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Acquisition of non-controlling interests	-	-	-	-
Dividends paid to non-controlling interests	(1,935)	(3,146)	-	-
Dividends paid to owners of the Company	(5,393)	(7,826)	(5,393)	(7,826)
Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	6,493	8,680	-	-
Net proceeds from issue of share capital	48,426	23,715	53,611	23,715
Proceeds from borrowings	126,390	101,753	-	51,040
Repayment of borrowings	(235,214)	(77,723)	(86,540)	(15,000)
Payment of finance lease liabilities	(4,634)	(4,957)	-	-
Net cash (used in)/from financing activities	(65,867)	40,496	(38,322)	51,929
Net (decrease)/increase in cash and cash equivalents	(17,858)	(90,470)	99,397	(4,932)
Cash and cash equivalents at 1 January	110,406	208,626	4,733	5,263
Effect of exchange rate fluctuations on cash held	53,879	(7,750)	-	-
Cash and cash equivalents at 31 December	146,427	110,406	104,130	331

Statements of cash flows for the year ended 31 December 2013
(continued)

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Deposits placed with licensed banks	32,859	41,362	16,984	-
Cash and bank balances	114,539	74,030	87,146	4,733
Bank overdrafts	(971)	(584)	-	-
	146,427	114,808	104,130	4,733
Less : Amount placed with debts service	-	(4,402)	-	(4,402)
	146,427	110,406	104,130	331

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM10,467,000 (2012: RM57,274,000), of which RM768,000 (2012: RM2,213,000) were acquired by means of finance leases.

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Salcon Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

15th Floor, Menara Summit
Persiaran Kewajipan USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate and/or jointly controlled entities. The financial statements of the Company as at and for the financial year ended 31 December 2013 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 25 April 2014.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*

  Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 132, *Financial Instruments: Presentation*

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 132.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company’s functional currency. All financial information presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with Malaysian Financial Reporting Standards (“MFRSs”) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(q) - contract revenue
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 5 - valuation of recoverability and impairment of receivables
- Note 6 - valuation of investment properties
- Note 11 - recognition of unutilised tax losses

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Accounting for non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses. The costs of the investment include transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale. The cost of the investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Jointly-controlled operation and assets

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

The Group adopted MFRS 11, *Joint Arrangements* in the current financial year. As a result, joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

In the previous financial years, joint arrangements were classified and accounted for as follows:

- For jointly controlled entity, the Group accounted for its interest using the equity method.
- For jointly controlled asset or jointly controlled operation, the Group and the Company accounted for each its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The adoption of MFRS 11 has no significant impact to the financial statements of the Group.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from of equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is designated as an effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(m)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or designated as an effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- leasehold land 99 years
- buildings 30 - 50 years
- plant and machinery 5 - 50 years
- motor vehicles 5 - 10 years
- fixtures and fittings 10 years
- office equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as an investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Concession rights

Concession rights that are acquired by the Group which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the water concession rights ranging from 30 to 50 years.

(iii) Concession intangible assets

Under IC Interpretation 12, *Service Concession Arrangements*, the infrastructure assets incurred that establish the right granted by the concession grantor to charge users of public services are treated as concession intangible assets.

Infrastructure assets comprised assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark ups on the actual cost incurred. The capital work-in-progress relating to these assets is not amortised until the assets are fully completed and brought to use.

Concession intangible assets are stated at cost less accumulated amortisation and impairment loss.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised concession intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation (continued)

Concession rights and concession intangible assets are amortised from the date that they are available for use. Amortisation of concession rights and concession intangible assets are recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

- Intangible assets 30 - 50 years
- Concession intangible assets 30 - 50 years

Concession rights and concession intangible assets are tested for impairment whenever there is an indication that they may be impaired.

(g) Investments properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for property development consists of reclaimed land, freehold land, leasehold land and land use rights on which development work has not been commenced along with related costs on activities that are necessary to prepare the land for its intended use. Land held for property development is transferred to properties under development or work-in-progress when development activities have commenced.

Work-in-progress comprises all costs directly attributable to property development activities or that can be allocated on a reasonable basis to these activities. Upon completion of development, unsold completed development properties are transferred to stock of completed units.

2. Significant accounting policies (continued)

(i) Receivables

Trade and other receivables are categorised and measured as loans and receivables in accordance with Note 2(c)(ii).

(j) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

(k) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investment in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. Significant accounting policies (continued)

(m) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments are classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Warrant reserve

Free warrants with rights issue are accounted for in accordance with Financial Reporting Standards Interpretation Committee ("FRSIC") Consensus 8/2008, which require free warrants to be accounted for in accordance with the substance and economic reality of the transactions and accordingly, a value is assigned to the warrants using a reasonable and appropriate method of allocation.

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Significant accounting policies (continued)

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(q) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue when the sales are recognised.

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs or completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(v) Dividend income

Dividend income is recognised in the profit or loss on the date the Group or the Company’s right to receive payment is established.

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Government grants shall be recognised in profit or loss on a systematic basis over the concession periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “other income”.

(s) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (continued)

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Significant accounting policies (continued)

(t) Income tax (continued)

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(u) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(v) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Operation Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(x) Service concession arrangements

The Group has entered into several service concession arrangements with the People's Republic of China ("PRC") government to construct/upgrade water treatment plants and operate the water treatment plants and wastewater treatment plants for a period ranging from 30 to 50 years. The terms of the arrangement allow the Group to maintain and manage these treatment plants and charge consumers based on the water usage and rates as determined by the grantor for concession period.

A substantial portion of the Group's assets are within the framework of concession contracts granted by the government ("the grantor"). In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- The grantor controls or regulates what services the operator must provide with the infrastructure assets, to whom it must provide them, and at what price; and
- The grantor controls the significant residual interest in the infrastructure assets at the end of the term of the arrangement.

Such infrastructure assets are not recognised by the Group as property, plant and equipment and prepaid lease payment but as intangible assets as described in Note 2(f)(iii) or financial assets as described in Note 2(c)(ii)(b).

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2(c)(ii)(b).

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users of the public service. Intangible assets resulting from the application of this policy are recorded in the statement of financial position as "Concession intangible assets" and are amortised on a straight line basis over the concession rights ranging from 30-50 years.

Under the intangible asset model, revenue includes revenue from the construction of the infrastructure assets and concession revenue from operating the infrastructure.

2. Significant accounting policies (continued)

(y) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

Company No. 593796-T

3. Property, plant and equipment

Group Cost		Land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2012		1,156	409	744	32,141	5,412	-	39,862
Acquisition through business combinations		-	-	-	61	71	-	132
Other additions		-	-	765	669	619	55,221	57,274
Disposals		-	-	(320)	(496)	(274)	-	(1,090)
Write-off		-	-	-	(99)	(140)	-	(239)
Effect of movements in exchange rates		-	-	-	(103)	(51)	-	(154)
At 31 December 2012/1 January 2013		1,156	409	1,189	32,173	5,637	55,221	95,785
Additions		-	3,904	26	2,094	622	-	6,646
Transfer to assets held for sale	Note 13	-	-	-	(4,323)	(1,975)	-	(6,298)
Disposals		-	-	-	(829)	(617)	-	(1,446)
Write-off		-	-	(73)	(418)	(130)	(3,151)	(3,772)
Effect of movements in exchange rates		-	-	-	15	7	5,203	5,225
At 31 December 2013		1,156	4,313	1,142	28,712	3,544	57,273	96,140

3. Property, plant and equipment (continued)

Group Depreciation		Land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2012		66	83	654	6,443	3,774	-	11,020
Depreciation for the year		4	10	202	3,498	542	-	4,256
Disposals		-	-	(145)	(152)	(219)	-	(516)
Write-off		-	-	-	(51)	(78)	-	(129)
Effect of movements in exchange rates		-	-	-	(46)	(19)	-	(65)
At 31 December 2012/1 January 2013		70	93	711	9,692	4,000	-	14,566
Depreciation for the year		4	32	189	3,066	317	-	3,608
Transfer to assets held for sale	Note 13	-	-	-	(2,628)	(1,219)	-	(3,847)
Disposals		-	-	-	(553)	(350)	-	(903)
Write-off		-	-	(42)	(407)	(120)	-	(569)
Effect of movements in exchange rates		-	-	-	3	170	-	173
At 31 December 2013		74	125	858	9,173	2,798	-	13,028
Carrying amounts								
At 1 January 2012		1,090	326	90	25,698	1,638	-	28,842
At 31 December 2012/1 January 2013		1,086	316	478	22,481	1,637	55,221	81,219
At 31 December 2013		1,082	4,188	284	19,539	746	57,273	83,112

Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles and plant and machinery acquired under finance lease agreements with net book value of RM19,790,000 (2012: RM19,880,000).

4. Intangible assets

Group **Cost**	**Goodwill** **RM'000**	**Concession rights** **RM'000**	**Concession intangible assets** **RM'000**	**Total** **RM'000**
At 1 January 2012	3,683	13,175	137,121	153,979
Addition	-	-	10,156	10,156
Effect of movements in exchange rates	-	16	(3,566)	(3,550)
At 31 December 2012/1 January 2013	3,683	13,191	143,711	160,585
Additions	-	-	24,131	24,131
Transfer to assets held for sale (Note 13)	-	(10,572)	(183,501)	(194,073)
Disposal	-	(2,694)	-	(2,694)
Effect of movements in exchange rates	-	75	15,659	15,734
At 31 December 2013	3,683	-	-	3,683
Amortisation				
At 1 January 2012	-	1,565	17,354	18,919
Amortisation for the year	-	412	3,213	3,625
Effect of movements in exchange rates	-	-	(663)	(663)
At 31 December 2012/1 January 2013	-	1,977	19,904	21,881
Amortisation for the year	-	412	1,304	1,716
Transfer to assets held for sale (Note 13)	-	(2,389)	(24,568)	(26,957)
Effect of movements in exchange rates	-	-	3,360	3,360
At 31 December 2013	-	-	-	-
Carrying amounts				
At 1 January 2012	3,683	11,610	119,767	135,060
At 31 December 2012/1 January 2013	3,683	11,214	123,807	138,704
At 31 December 2013	3,683	-	-	3,683

Goodwill

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to a subsidiary acquired at which the goodwill is monitored for internal management purposes.

The goodwill impairment test was based on value in use determined by the management. Value in use was derived from the subsidiary future budgets. Key assumptions used in preparing the budgets represent management's assessment of future trends in the subsidiary principal activity with certain reference made to the internal sources (historical data).

4. Intangible assets (continued)

Goodwill (continued)

Impairment testing for cash-generating units containing goodwill

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Based on past experience and actual operating results attained in both 2012 and 2013, 3 years cash flow projections were prepared. An average growth rate of 5 percent (2012: 5 percent) was incorporated into the projections.

- A pre-tax discount rate of 10 percent (2012: 10 percent) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the Group's working cost of capital.

Based on the management assessments, there were no impairment losses on goodwill during the financial year under review. In addition, the management has assessed the key assumptions used and sensitivity of such assumptions to impairment losses and the results are as follows:

(i) An increase of 100 basis point in the discount rate used would have no significant impact on impairment losses.
(ii) A 10% decrease in future planned revenue would have no significant impact in the impairment losses.

Concession rights

The concession rights of the Group comprises the water concession rights are for duration of 30 years for subsidiaries in China, namely, Linyi Salcon Water Company Limited, Haining Salcon Water Company Limited, Nan An Salcon Water Company Limited, Changle Salcon Raw Water Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited. They have been reclassified to assets held for sale in view of the ongoing disposal program (see Note 13).

Concession intangible assets

Concession intangible assets comprises fair value of the consideration receivable for the construction services delivered during the stage of constructing, including a mark-up based on market rate on the costs incurred for constructing water treatment plants for subsidiaries in China, namely Linyi Salcon Water Company Limited and Shandong Changle Salcon Water Company Limited. They have been reclassified to assets held for sale in view of the ongoing disposal program (see Note 13).

5. Trade and other receivables, including derivatives

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-current					
Trade					
Receivables from concession arrangements		-	510,451	-	-
Non-trade					
Other receivables		-	4,785	-	-
		-	515,236	-	-
Current					
Trade					
Trade receivables	5.1	105,082	157,425	-	-
Amount due from contract customers	5.2	55,967	70,021	-	-
		161,049	227,446	-	-
Non-trade					
Amount due from associate	5.3	5	5	-	-
Amount due from subsidiaries	5.4	-	-	174,762	189,394
Other receivables	5.5	45,784	67,142	-	12,289
Deposits	5.6	27,130	13,592	-	-
Prepayments		8,613	1,403	1,063	-
Financial assets at fair value through profit or loss:					
- Held for trading, including derivatives		-	86	-	-
		81,532	82,228	175,825	201,683
		242,581	309,674	175,825	201,683
		242,581	824,910	175,825	201,683

5. Trade and other receivables, including derivatives (continued)

5.1 Included in trade receivables of the Group are retention sums amounting to RM19,184,000 (2012: RM17,806,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Within 1 year	3,246	569
1 - 2 years	6,158	2,843
2 - 3 years	7,973	8,083
3 - 4 years	402	3,583
4 - 5 years	1,405	2,728
	19,184	17,806

5.2 Amount due from contract customers

	Group	
	2013	**2012**
	RM'000	**RM'000**
Aggregate costs incurred to date	412,614	1,204,555
Add: Attributable profit	41,970	137,265
	454,584	1,341,820
Less: Progress billings	(404,129)	(1,297,344)
	50,455	44,476
Amount due to contract customers (Note 18)	5,512	25,545
Amount due from contract customers	55,967	70,021

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM5,752,000 (2012: RM9,886,000) and RM917,000 (2012: RM1,028,000) respectively.

5.3 The amount due from an associate is non-trade, unsecured, interest free and repayable upon demand.

5.4 The amount due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM114.8 million (2012: RM82.9 million) which bear interest ranging from 2% to 5.8% (2012: 2% to 5.8%) per annum.

5. Trade and other receivables, including derivatives (continued)

5.5 Included in other receivables of the Group are as follows:

i) Compensation receivable of RM31,074,000 from Changzhou City District Office following the termination of the water concession agreement in 2012. The amount is receivable before 1 November 2015.

ii) In 2012, RM491,000 being advance payments to sub-contractors/suppliers of subsidiaries which was paid in accordance with the terms of the contract.

iii) Allowance for impairment losses amounting to RM476,000 (2012: RM362,000).

iv) In 2012, advances amounting to RM14.7 million representing amount paid to a joint venture partner of a subsidiary in arranging advance payment to the respective sub-contractors for construction of water transmission project. The subsidiary was disposed of in 2013.

5.6 Included in deposits is an amount of RM17.7 million (2012: RM2.0 million) incurred by a subsidiary being deposit paid to a third party to acquire 2 pieces of lands in Bandar Johor Bahru.

6. Investment properties

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 January	8,446	5,104
Acquisition through business combination	-	19,720
Acquisitions	-	3,342
Transfer to inventories	-	(19,720)
At 31 December	8,446	8,446

Included in the above are:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Freehold land	319	319
Freehold land and buildings	511	511
Leasehold land and buildings with unexpired lease period of more than 50 years	7,616	7,616
	8,446	8,446

6. Investment properties

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2013 RM'000	2012 RM'000
Rental income	28	25
Direct operating expenses:		
- income generating investment properties	7	5

The titles to the leasehold land and buildings with carrying amount of RM7,122,000 (2012: RM7,122,000) are in the process of being transferred to the subsidiaries.

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
Land	-	-	319	319
Buildings	-	-	8,127	8,127
	-	-	8,446	8,446

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

6. Investment properties (continued)

6.1 Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The Directors estimate the fair value of investment properties based on cash flow projection. After evaluating the market condition, the Directors are of the view that the fair value of the investment properties as at 31 December 2013 approximates those value at 31 December 2012 which were determined based on the sales comparison approach then.

7. Investments in subsidiaries

	Company 2013 RM'000	2012 RM'000
Unquoted shares, at cost	156,810	204,464
Unquoted preference shares, at cost	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)
	157,220	204,874

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewage and wastewater facilities; - Provision of mechanical and electrical engineering services for general industries; and - Investment holding.	100	100
Salcon Water (Asia) Limited +	Hong Kong	Investment holding company	60	60

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant.	51	51
Salcon Jiangsu (HK) Limited	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	-	100
Salcon Changzhou (HK) Limited +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100	100
Salcon Water International Limited +	Hong Kong	Dormant	100	100
Salcon Capital Sdn. Bhd.	Malaysia	Investment holding company	100	100
Salcon Water International Pte. Ltd.	Singapore	Dormant	-	100
Salcon Power (HK) Limited +	Hong Kong	Dormant	100	100
Salcon Water (HK) Limited +	Hong Kong	Dormant	100	100
Salcon-Darco Environmental Pte Ltd	Singapore	Investment holding company	-	60
Salcon Development Sdn. Bhd.	Malaysia	Investment holding company	100	100
Kencana Kesuma Sdn. Bhd.	Malaysia	Dormant	100	100
Gerbang Mawar Sdn. Bhd.	Malaysia	Dormant	100	100

Company No. 593796-T

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Satria Megajuta Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd.	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Power Sdn. Bhd.	Malaysia	Investment holding	100	100
Salcon Resources Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Environmental Services Sdn. Bhd.	Malaysia	Operation and maintenance of water treatment plants.	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants.	60	60
Glitteria Sdn. Bhd. @	Malaysia	Provision of engineering works	50	50
Bumi Tiga Enterprise Sdn. Bhd.	Malaysia	Investment holding	100	100
Salcon Corporation Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon (Perak) Sdn. Bhd. @	Malaysia	Dormant	40	40
Tanjung Jutaria Sdn. Bhd.	Malaysia	Dormant	100	100

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiaries of Salcon Engineering Berhad: (continued)				
Salcon (Sarawak) Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Holdings (Mauritius) Limited ^	Mauritius	Investment holding	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd.	Malaysia	Dormant	100	100
Eagle Metalizing & Coatings Company Sdn. Bhd. *	Malaysia	Dormant	60	60
Subsidiaries of Salcon Water (Asia) Limited:				
Salcon Fujian (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60	60

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiaries of Salcon Water (Asia) Limited: (continued)				
Salcon Linyi (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60	60
Salcon Zhejiang (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60	60
Salcon Shandong (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60	60
Salcon Services (HK) Limited +	Hong Kong	Investment holding company involved in investment advisory in the People's Republic of China via its subsidiary.	60	60
Subsidiary of Salcon Fujian (HK) Limited:				
Nan An Salcon Water Company Limited Ω	People's Republic of China	Design, build and operate of water transmission in Fujian Province.	39	39
Subsidiary of Salcon Linyi (HK) Limited:				
Linyi Salcon Water Company Limited Ω	People's Republic of China	Management and operation of water production and distribution of water in Linyi City.	36	36

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiary of Linyi Salcon Water Company Limited:				
Linyi Runcheng Supply Project Company Limited Ω	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment.	36	36
Linyi Salcon Water Supply Facilities Company Limited Ω	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment.	36	36
Subsidiary of Salcon Zhejiang (HK) Limited:				
Haining Salcon Water Company Limited Ω	People's Republic of China	Management and operation of water production and sale of water in Haining City, ZheJiang Province.	36	36
Subsidiary of Salcon Shandong (HK) Limited:				
Shandong Changle Salcon Water Company Limited Ω	People's Republic of China	Management and operation of water production and distribution of water in Changle County, Shandong Province.	60	60
Changle Salcon Raw Water Company Limited. Ω	People's Republic of China	Design, build and operate of water transmission in Changle County, Shandong Province.	60	60

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiary of Salcon Services (HK)Limited:				
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. +	People's Republic of China	Consultancy services for investment, operation and strategy business.	60	60
Subsidiary of Salcon Jiangsu (HK) Limited:				
Jiangsu Salcon Water & Environmental Development Company Limited	People's Republic of China	Design, build and operate of water transmission in Jiangsu Province.	-	67
Subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited:				
Yizheng Salcon Wastewater Treatment Company Limited	People's Republic of China	Management and operation of wastewater treatment plant in Yizheng city.	-	67
Subsidiary of Salcon Changzhou (HK) Limited:				
Changzhou Salcon Wastewater Treatment Company Limited +	People's Republic of China	Management and operation of wastewater treatment plant in Changzhou City	100	100

Company No. 593796-T

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiary of Salcon Power Sdn Bhd:				
Salcon Green Energy (UK) Ltd. *	United Kingdom	Dormant	100	100
Subsidiary of Salcon Capital Sdn Bhd:				
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51	51
Subsidiary of Salcon Holdings (Mauritius) Limited:				
Salcon Engineering (India) Pte. Ltd. *	India	Construction, development and maintenance of water, sewage and wastewater treatment plants.	100	100
Subsidiary of Salcon Water International Limited:				
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	100	100
Subsidiary of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd.	Malaysia	Property development	50	50
Nusantara Megajuta Sdn. Bhd.	Malaysia	Property development	50	50

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2013 %	2012 %
Subsidiary of Salcon-Darco Environmental Pte Ltd				
Deqing Darco Producing Water Co Ltd	China	Management and operation of water production and sale of water in Deqing county, Zhejiang Province	-	60
Globe Industrial Technology Co, Ltd	Hong Kong	Investment holding	-	57
Subsidiary of Globe Industrial Technology Co, Ltd:				
Deqing Huanzhong Producing Water Co, Ltd	China	Management and operation of water production and sale of water in Deqing county, Zhejiang Province	-	53
Subsidiary of Eco-Coach & Tours (M) Sdn Bhd:				
Eco Tours Asia Sdn. Bhd. *	Malaysia	Transportation services (incorporated during the year)	100	-

\+ Audited by other member firms of KPMG International

^ Audited by other firms of accountants.

@ Although the Group owns not more than 50% of the voting power of Salcon (Perak) Sdn. Bhd. ("SPSB") and Glitteria Sdn. Bhd. ("GSB"), the Group regards them as subsidiaries as it is able to govern the financial and operating policies of the companies by virtue of shareholders agreements entered into with the other investors of SPSB and GSB respectively. Consequently, the Group consolidates its investments in these companies.

* The financial statements of this subsidiary was not audited and this subsidiary was consolidated based on management financial statements.

Ω Entities ear-marked for disposal.

7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Salcon Water (Asia) Limited RM'000	Envitech Sdn Bhd RM'000
2013		
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	49,679	16,418
Profit allocated to NCI	447	2,749
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	151,717	13,896
Current assets	2,070	50,897
Non-current liabilities	-	(730)
Current liabilities	(27,035)	(23,717)
Net assets	126,752	40,346
Year ended 31 December		
Revenue	1,182	65,032
Profit for the year	1,118	6,873
Total comprehensive income	631	6,873
Cash flows from operating activities	(1)	1,475
Cash flows from/(used in) investing activities	7,045	(3,570)
Cash flows from financing activities	(6,201)	(1,156)
Net increase in cash and cash equivalents	843	(3,251)
Dividends paid to NCI	2,480	280

7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries

	Salcon Water (Asia) Limited RM'000	Envitech Sdn Bhd RM'000
2012		
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	49,718	13,669
Profit allocated to NCI	1,014	1,600
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	126,154	10,685
Current assets	25,990	51,871
Non-current liabilities	-	(392)
Current liabilities	(25,294)	(27,990)
Net assets	126,850	34,174
Year ended 31 December		
Revenue	2,595	46,144
Profit for the year	2,534	4,000
Total comprehensive income	2,536	4,000
Cash flows from operating activities	9	6,009
Cash flows used in investing activities	-	(3,178)
Cash flows used in financing activities	-	(1,286)
Net increase in cash and cash equivalents	9	1,545
Dividends paid to NCI	988	280

8. Investment in an associate

	Group 2013 RM'000	Group 2012 RM'000
Unquoted shares, at cost	11,800	11,800
Unquoted preference shares, at cost	10,000	10,000
Share of post-acquisition profits	6,050	6,529
	27,850	28,329

8. Investment in an associate

Summary financial information for associate, not adjusted for the percentage ownership held by the Group:

	Country of incorporation	Effective ownership interest %	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2013						
EUC*	Malaysia	40	23,257	7,934	49,164	694
2012						
EUC*	Malaysia	40	22,711	8,708	47,395	786

* Emas Utilities Corporation Sdn. Bhd. ("EUC") holds 90% equity interest in Binh An Water Corporation Ltd, a company incorporated in Vietnam. The principal activities of EUC is investment holding whilst that of Binh An Water Corporation Ltd is production and supply of treated water in Vietnam.

9. Investment in jointly controlled entity

Details of jointly controlled entity are as follows:

	Principal activities	Proportion of ownership interest 2013 %	2012 %
WET – Envitech Joint Venture	Construction of sewage treatment plants, project management on sewage treatment plants and related activities.	-	50

The Group entered into a Joint Venture agreement with Water Engineering Technology Sdn. Bhd. and incorporated WET - Envitech Joint Venture on 2 April 2004. The principal activities of WET-Envitech JV are that of the construction of sewage treatment plants as well as project management in relation to sewage treatment plants and related activities. WET - Envitech JV commenced operations in 2007. The joint venture is accounted for using the proportionate consolidation method. However, the joint venture has remained dormant in previous year.

The joint venture has been terminated during the year.

10. Other investments

Group	Total RM'000	Unquoted shares RM'000	Other investment RM'000
2013			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,815)	(175)	(4,640)
	-	-	-
2012			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
Company			
2013			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
2012			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

11. Deferred tax assets and liabilities

Group

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2013 RM'000	Assets 2012 RM'000	Liabilities 2013 RM'000	Liabilities 2012 RM'000	Net 2013 RM'000	Net 2012 RM'000
Property, plant and equipment	-	-	(944)	(1,288)	(944)	(1,288)
Provisions	29	229	-	(225)	29	4
Other items	-	37	(3,418)	(5,749)	(3,418)	(5,712)
Tax losses carry-forwards	5,607	2,835	-	-	5,607	2,835
Unabsorbed capital allowances	190	86	-	-	190	86
Tax assets/ (liabilities)	5,826	3,187	(4,362)	(7,262)	1,464	(4,075)
Set off of tax	(153)	(767)	153	767	-	-
Net tax assets/ (liabilities)	5,673	2,420	(4,209)	(6,495)	1,464	(4,075)

In recognising the deferred tax assets attributable to unutilised tax losses carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carry-forwards amounting to approximately RM22.4 million will not be available to the Group, resulting in a decrease in deferred tax assets of RM5.6 million.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Unabsorbed capital allowance	848	849	-	-
Unutilised tax losses	3,196	3,812	-	-
	4,044	4,661	-	-

Company No. 593796-T

11. Deferred tax assets and liabilities (continued)

The deductible temporary differences do not expire under current tax legislation. If there is substantial change in shareholders (more than 50%), unutilised tax loss carry-forwards and unutilised capital allowance carry-forwards will not be available to the Group. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Group	At 1.1.2012 RM'000	Acquisition through business combination RM'000	Recognised in profit or loss (Note 22) RM'000	At 1.1.2013 RM'000	Disposal of Subsidiaries RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(761)	-	(527)	(1,288)	-	344	(944)
Provisions	179	-	(175)	4	-	25	29
Other items	(181)	(5,749)	218	(5,712)	2,368	(74)	(3,418)
Tax losses carry-forwards	2,781	-	54	2,835	-	2,772	5,607
Unabsorbed capital allowance	-	-	86	86	-	104	190
	2,018	(5,749)	(344)	(4,075)	2,368	3,171	1,464

12. Inventories

	Note	Group 2013 RM'000	Group 2012 RM'000
At cost:			
Raw materials and consumables		-	3,931
Spares		1,652	1,259
Properties under development	12.1	24,415	21,214
		26,067	26,404

12.1 Properties under development

	Group 2013 RM'000	Group 2012 RM'000
Land	21,214	21,214
Development cost	3,201	-
	24,415	21,214

13. Disposal group held for sale

During the year, the Group entered into a sale and purchase agreement with a third party to dispose of its businesses in People's Republic of China through the disposal of the shares in the intermediate holding companies in Hong Kong (see Note 7). The financial statement of the ongoing disposal group is presented as a disposal group held for sale in view of the ongoing disposal program. Efforts to sell the disposal group have commenced, and the transaction is expected to complete in 2014. At 31 December 2013, the assets and liabilities of the disposal group are as follows:

	Note	Group 2013 RM'000
Assets classified as held for sale		
Property, plant and equipment	a	2,451
Intangible assets	b	167,116
Trade and other receivables	c	459,375
Inventories	d	2,948
Cash and cash equivalents		28,843
		660,733
Liabilities classified as held for sale		
Trade and other payables		88,988
Loans and borrowings		190,087
Current tax liabilities		2,929
		282,004

13. Disposal group held for sale (continued)

The carrying value of property, plant and equipment of the disposal group is the same as its carrying value before it was being reclassified to assets held for sale.

Cumulative income or expense recognised in other comprehensive income

Note a
Property, plant and equipment held for sale comprise the following:

	Note	Group 2013 RM'000
Cost		6,298
Accumulated depreciation		(3,847)
	3	2,451

Note b
Intangible assets held for sale comprise the following:

	Note	Group 2013 RM'000
Cost		194,073
Accumulated amortisation		(26,957)
	4	167,116

Note c
Receivables are carried at cost less impairment loss. Included in Receivables is an amount of RM385,588,000 being non-current financial assets.

Note d
The inventories held for sale comprise raw materials and consumables and are carried at cost.

14. Cash and cash equivalents

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits placed with licensed banks				
- Malaysia	31,925	24,195	16,984	-
- Outside Malaysia	934	17,167	-	-
	32,859	41,362	16,984	-
Cash and bank balances				
- Malaysia	101,364	37,073	87,146	4,733
- Outside Malaysia	13,175	36,957	-	-
	114,539	74,030	87,146	4,733
	147,398	115,392	104,130	4,733

15. Capital and reserves

Share capital

	Group and Company			
	Amount 2013 RM'000	**Number of shares 2013 '000**	**Amount 2012 RM'000**	**Number of shares 2012 '000**
Authorised:				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM0.50 each				
At 1 January	260,869	521,738	237,154	474,308
Issued for cash under Employees Share Option Scheme	16,270	32,541	-	-
Issued for cash under private placement	27,013	54,025	23,715	47,430
At 31 December	304,152	608,304	260,869	521,738

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Warrant reserve

The warrant reserve relates to reserves allocated to free detachable warrants issued with rights issue effective on 18 May 2007.

The proceeds received were allocated between the equity instruments using the proportionate fair value basis to account for the free warrants. In 2008, the assignment of fair value to the free warrants had resulted in a reallocation of RM22,384,000 from the share premium account to the warrant reserve account. Upon the exercise of warrants, the proportionate amount of warrant reserve is transferred to the share premium account.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than Ringgit Malaysia.

15. Capital and reserves (continued)

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 17.

16. Loans and borrowings

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Non-current				
Finance lease liabilities	8,225	11,966	-	-
Term loans (unsecured)	12,692	251,112	-	59,540
	20,917	263,078	-	59,540
Current				
Bank overdrafts (unsecured)	971	584	-	-
Bankers' acceptances (unsecured)	2,106	6,120	-	-
Revolving credits (unsecured)	1,000	3,000	-	-
Term loans (unsecured)	1,958	66,414	-	27,000
Finance lease liabilities	4,339	4,464	-	-
	10,374	80,582	-	27,000

16.1 Security

All of the facilities (except finance lease liabilities) granted to the subsidiaries are guaranteed by the Company.

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 31.12.2013	Interest RM'000 31.12.2013	Present value of minimum lease payments RM'000 31.12.2013	Future minimum lease payments RM'000 31.12.2012	Interest RM'000 31.12.2012	Present value of Minimum lease payments RM'000 31.12.2012
Group						
Less than one year	5,002	(663)	4,339	5,376	(912)	4,464
Between one and five years	8,729	(504)	8,225	13,070	(1,104)	11,966
	13,731	(1,167)	12,564	18,446	(2,016)	16,430

17. Employee benefits

Equity compensation benefits

Share option plan

On 9 July 2010, the Group offers vested share options over ordinary shares to Executive Directors and eligible employees.

On 1 July 2011, a further grant on similar terms (except for exercise price) was offered to a Director and eligible employees.

On 2 July 2012, a further grant on similar terms (except for exercise price) was offered to Non-Executive Directors and eligible employees.

On 14 May 2013, a further grant on similar terms (except for exercise price) was offered to Executive Directors, Non-Executive Directors, and eligible employees.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of options ’000	Vesting conditions	Contractual life of options
Option granted to Executive Directors and eligible employees on 9 July 2010	31,499	Eligible employees are confirmed staff with at least one year service as at the date of offer including Executive Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	5 years
Option granted to a Director and eligible 1 July 2011	1,647	Eligible employees are confirmed staff with at least one year service as at the date of offer including Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	4 years

17. Employee benefits (continued)

Grant date/ employees entitled	**Number of options ’000**	**Vesting conditions**	**Contractual life of options**
Option granted to Non-Executive Directors and eligible employees on 2 July 2012	6,198	Eligible employees are confirmed staff with at least one year service as at the date of offer including Non-Executive Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	3 years
Option granted to Executive Directors, Non-Executive Directors, and eligible employees on 14 May 2013	30,135	Eligible employees are confirmed staff with at least one year service as at the date of offer including Executive Directors, Non-Executive Directors and Directors of any company comprised in the Group. The entire option is exercisable immediately on grant date.	2 years
Total share options	69,479		

Movements in the number of share options held by employees are as follows:

	Weighted average exercise price RM	**Group and Company 2013 ’000**	**2012 ’000**
Outstanding at 1 January	0.55	25,095	21,655
Granted during the year	0.50	30,135	6,198
Lapsed during the year	0.55	(1,604)	(2,758)
Exercised during the year	0.52	(32,541)	-
Outstanding at 31 December	0.53	21,085	25,095

17. Employee benefits (continued)

The options outstanding at 31 December 2013 have an exercise price in the range of RM0.50 to RM0.57 (2012: RM0.52 to RM0.57) and a weighted average contractual life of 2 years (2012: 3 years).

During the year, 32,541,000 share options were exercised. The weighted average share price at the date of exercise for the year was RM0.55 (2012: RM0.54).

Share option programme

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs:

	2013	2012
Fair value of share options and assumptions		
Fair value at grant date	RM0.15	RM0.08
Weighted average share price	RM0.55	RM0.54
Exercise price	RM0.50	RM0.50
Expected volatility (weighted average volatility)	1.90%	2.08%
Option life (expected weighted average life)	2 years	3 years
Risk-free interest rate (based on Malaysian government bonds)	4.240%	4.012%

Value of employee services received for issue of share options

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Expenses recognised as share-based payments	4,667	1,562	1,359	239

18. Trade and other payables, including derivatives

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Trade					
Trade payables		56,043	93,831	-	-
Amount due to contract customers	5	5,512	25,545	-	-
		61,555	119,376	-	-

18. Trade and other payables, including derivatives (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Non-trade					
Amount due to an associate	18.1	2	2	-	-
Amount due to subsidiaries	18.2	-	-	8,714	8,067
Other payables	18.3	75,330	93,664	30,741	565
Accrued expenses	18.4	30,618	5,179	3,051	591
Deferred income	18.5	-	12,208	-	-
		105,950	111,053	42,506	9,223
		167,505	230,429	42,506	9,223

18.1 The amount due to an associate is unsecured, interest free and repayable upon demand.

18.2 The amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

18.3 Included in other payables of the Group are as follows:

i) RM2.7 million (2012: RM1.8 million) being amount due to non-controlling interest of a subsidiary for business operation funding. The amount is unsecured, bearing interest of 8.1% (2012: 8.1%) and repayable upon demand.

ii) RM30.2 million (2012: RM nil) being deposit received by the Company from Beijing Enterprises Water Group Limited as part of the consideration for the disposal of subsidiaries (see Note 13).

iii) RM280,000 (2012: RM1,553,000) being dividend payable by a subsidiary to non-controlling interest.

iv) In 2012, RM19.1 million being amount payable to the Linyi Municipal Government for the acquisition of water related assets. The amount has been reclassified to liabilities held for sale in view of the ongoing disposal program.

18.4 Included in accrued expenses of the Group is the amount of RM22.7 million (2012: RM2.6 million) being accrual for claims from construction projects.

18.5 The deferred income relates to government grant received from the Government of China for the water concession investment in China. The amount has been reclassified to liabilities held for sale in view of the ongoing disposal program.

Company No. 593796-T

19. Revenue

Group	Continuing operations 2013 RM'000	Continuing operations 2012 Restated* RM'000	Discontinued operation (see Note 23) 2013 RM'000	Discontinued operation (see Note 23) 2012 Restated RM'000	Total 2013 RM'000	Total 2012 RM'000
Sales	1,950	19,441	-	-	1,950	19,441
Services	14,381	13,771	-	-	14,381	13,771
Construction	148,281	141,782	-	-	148,281	141,782
Operating concession revenue	-	7,144	202,864	158,660	202,864	165,804
	164,612	182,146	202,864	158,660	367,476	340,806
Company						
Dividends	398	16,070	-	-	398	16,070

* Not applicable for the Company

20. Key management personnel compensation

The key management personnel compensation is as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Directors of the Company:				
- Fees	150	150	150	150
- Remuneration	4,405	4,152	1,405	1,259
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	173	200	72	20
- Share-based payments	1,852	366	918	133
	6,580	4,868	2,545	1,562

Company No. 593796-T

21. Finance costs

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Finance costs on:				
- Bank overdraft	42	36	-	-
- Loans	5,747	4,600	5,052	3,832
- Other borrowings	1,492	1,136	-	-
	7,281	5,772	5,052	3,832

22. Income tax

Recognised in profit or loss

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Income tax expense on continuing operations		(1,077)	1,951	253	2,748
Income tax expense on discontinued operation	23	9,070	5,482	-	-
Share of tax of equity-accounted associates		462	325	-	-
Total income tax expense		8,455	7,758	253	2,748
Major components of income tax expense include:					
Current tax expense					
Malaysian - current year		3,096	2,513	405	3,651
- prior year		(475)	(768)	(152)	(903)
Overseas - current year		8,543	5,344	-	-
- prior year		-	-	-	-
Total current tax recognised in profit or loss		11,164	7,089	253	2,748

22. Income tax (continued)

Recognised in profit or loss (continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deferred tax expense					
Origination and reversal temporary differences		(2,968)	284	-	-
Under provision from prior year		(203)	60	-	-
Total deferred tax recognised in profit or loss		(3,171)	344	-	-
Share of tax of equity-accounted associates		462	325	-	-
Total income tax expense		8,455	7,758	253	2,748
Reconciliation of effective tax expense					
Profit for the year		57,577	31,462	31,164	5,901
Total income tax expense		8,455	7,758	253	2,748
Profit excluding tax		66,032	39,220	31,417	8,649
Income tax calculated using Malaysian tax rate of 25% (2012: 25%)		16,508	9,805	7,854	2,162
Effect of tax rates in foreign jurisdiction		(1,369)	(2,001)	-	-
Non-deductible expenses		6,098	5,315	1,870	2,006
Tax exempt income		(11,950)	(5,437)	(9,319)	(517)
Effect of deferred tax assets not recognised		-	784	-	-
Effect of utilising deferred tax assets previously not recognised		(154)	-	-	-
		9,133	8,466	405	3,651
Over provision in prior years		(678)	(708)	(152)	(903)
		8,455	7,758	253	2,748

23. Discontinued operation

In November 2013, the Group entered into 2 separate agreements, being SPA-A and SPA-B with a third party to sell its China operations. SPA-A covers Salcon Jiangsu (HK) Limited and Salcon Darco Environmental Pte Ltd and their respective subsidiaries whilst SPA-B covers Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Shandong (HK) Limited, Salcon Linyi (HK) Limited and their respective subsidiaries operating in People's Republic of China.

The disposal transaction under SPA-A has been completed during the year and the Group reported a gain on disposal of RM26,108,000. On the other hand, the disposal transaction under SPA-B has yet to be completed as at end of reporting period.

These disposals were not discontinued operation or classified as held for sale as at 31 December 2012 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows:

		Group	
		2013	**2012**
	Note	**RM'000**	**RM'000**
Revenue	19	202,864	158,660
Expenses		(141,716)	(123,836)
Results from operating activities, net of tax		61,148	34,824
Gain on sale of discontinued operation		26,108	-
Profit for the year		87,256	34,824
Included in results from operating activities are:			
Depreciation of property, plant and equipment		610	761
Amortisation of intangible assets		1,716	3,625

	Group	
	2013	**2012**
	RM'000	**RM'000**
Cash flows from/(used in) discontinued operation		
Net cash from operating activities	59,672	140,777
Net cash used investing activities	(63,370)	(156,481)
Net cash from financing activities	8,643	187
Effect on cash flows	4,945	(15,517)

23. Discontinued operation

Effect of disposal under SPA-A on the financial position of the Group

	Note	2013 RM'000
Property, plant and equipment		376
Intangible assets		2,694
Trade and other receivables		229,391
Inventories		208
Cash and cash equivalents		26,078
Deferred tax liabilities		(2,367)
Trade and other payables		(31,005)
Current tax liabilities		(356)
Borrowings		(35,651)
Exchange equalisation		(9,656)
Non-controlling interest		(38,620)
Net assets and liabilities		141,092
Gain on sale of discontinued operation		26,108
Consideration received, satisfied in cash		167,200
Cash and cash equivalent disposed of		(26,078)
Net cash inflow		141,122

24. Profit for the year

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the year is arrived at after charging:				
Allowance for impairment losses				
- Trade receivables	277	1,496	-	-
- Other receivables	114	91	-	-
Amortisation of concession intangible assets	1,304	3,213	-	-
Amortisation of intangible assets	412	412	-	-
Auditors' remuneration				
- Audit fees				
- Current year				
KPMG Malaysia	274	229	50	50
Overseas affiliates of KPMG Malaysia	493	657	-	-
Other auditors	74	91	-	-
- Underprovision in prior year	61	30	55	30
KPMG Malaysia				
- Non-audit fees				
- Current year				
KPMG Malaysia	270	62	40	62
- Underprovision in prior year				
KPMG Malaysia	-	2	-	2
Depreciation of property, plant and equipment	4,218	4,256	-	-
Impairment of other investment	86	-	-	-
Loss on disposal of property, plant and equipment	226	-	-	-

24. Profit for the year (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit for the year is arrived at after charging: (continued)				
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,953	3,157	353	352
- Share-based payments	4,667	1,562	1,859	238
- Wages, salaries and others	47,538	49,335	3,079	2,843
Property, plant and equipment written off	3,203	110	-	-
Realised loss on foreign exchange	1,672	241	593	-
Rental of expense in respect of:				
- Equipment	63	6	-	-
- Land	3	-	-	-
- Premises	1,074	1,425	-	-
Unrealised loss on foreign exchange	320	516	589	2,491
and after crediting:				
Allowance for impairment losses no longer required - Trade receivables	23	2,293	-	-
Amortisation of government grant	656	605	-	-
Dividend income from subsidiaries (unquoted)	-	-	398	16,070
Dividend from equity-accounted associates	3,652	-	-	-
Gain on bargain purchase	-	10,993	-	-
Gain on disposal of equity interest in subsidiaries	26,108	-	51,435	-
Gain on disposal of property, plant and equipment	2,559	32	-	-
Finance income:				
- Subsidiaries	-	-	3,032	3,639
- Others	2,099	2,898	282	5
- Concession receivables	15,543	10,594	-	-
Realised gain on foreign exchange	6,883	823	995	-
Rental income on premises	204	231	-	-
Rental income on investment properties	22	25	-	-
Unrealised gain on foreign exchange	198	115	3,751	316

Company No. 593796-T

25. Other comprehensive income/(expenses)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2013			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	38,510	-	38,510
2012			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(4,546)	-	(4,546)

26. (Loss)/Earnings per ordinary share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
2013			
(Loss)/Profit attributable to ordinary shareholders	(32,068)	57,012	24,944
2012			
(Loss)/Profit attributable to ordinary shareholders	(5,564)	16,846	11,282

Weighted average number of ordinary shares

	Group 2013 '000	Group 2012 '000
Weighted average number of ordinary shares at 31 December	553,774	510,723

	Group 2013 Sen	Group 2012 Sen
From continuing operations	(5.79)	(1.09)
From discontinued operation	10.29	3.30
Basic earnings per ordinary share	4.50	2.21

26. (Loss)/Earnings per ordinary share (continued)

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2013 was based on (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

Group	**Continuing operations**	**Discontinued operations**	**Total**
2013	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit attributable to ordinary shareholders (diluted)	(32,068)	57,012	24,944
2012			
(Loss)/Profit attributable to ordinary shareholders (diluted)	(5,564)	16,846	11,282

	Group 2013 '000
Weighted average number of ordinary shares at 31 December (basic)	553,774
Effect of share option on issue	16,938
Weighted average number of ordinary shares at 31 December (diluted)	570,712

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options and call warrants was based on quoted market prices for the period during which the options were outstanding.

	Group 2013 Sen
From continuing operations	(5.62)
From discontinued operation	9.99
Diluted (loss)/earnings per ordinary share	4.37

In 2012, the potential ordinary shares i.e. warrants and options are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares at the end of the reporting period. Accordingly, there is no dilution in the earnings per share.

27. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2013			
Final 2012 ordinary (single tier)	1.0	5,393	27 August 2013
2012			
Final 2011 ordinary (single tier)	1.5	7,826	20 July 2012

After the end of the reporting period, the following special final dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

	Sen per share
Special final ordinary (single tier)	3.0

28. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Operating Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1. Includes constructions.
- Segment 2. Includes concessions.
- Segment 3. Includes trading.
- Segment 4: Includes property development.

The accounting policies of the reportable segments are the same as described in Note 2(w).

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Operating Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Operating Officer. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Group's Chief Operating Officer. Hence no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

Company No. 593796-T

28. Operating segments (continued)

2013	Constructions RM'000	Concessions RM'000	Trading RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operations) RM'000	Total RM'000
Segment profit	8,823	4,337	(1,479)	(1,978)	9,703	95,953	105,656
Included in the measure of segment profit are:							
Revenue from external customers	148,281	1,164	15,167	-	164,612	202,864	367,476
Share of profit of associate	-	3,173	-	-	3,173	-	3,173
Not included in the measure of segment profit but provided to Chief Operating Officer:							
Depreciation and amortisation	(1,234)	(26)	(2,253)	(95)	(3,608)	(2,326)	(5,934)
Finance costs	(5,855)	(2)	(1,424)	-	(7,281)	(13,756)	(21,037)
Finance income	946	9	219	13	1,187	16,455	17,642
Income tax expense	865	45	(165)	332	1,077	(9,070)	(7,993)
Segment assets	332,121	28,487	126,708	58,531	545,847	660,733	1,206,580
Included in the measure of segment assets are:							
Investment in associate	-	27,850	-	-	27,850	-	27,850
Additions to non-current assets other than financial instruments and deferred tax assets	4,460	1	1,661	416	6,538	23,842	30,380

Company No. 593796-T

28. Operating segments (continued)

2012	Constructions RM'000	Concessions RM'000	Trading RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operations) RM'000	Total RM'000
Segment profit	10,321	5,204	3,625	(176)	18,974	46,169	65,143
Included in the measure of segment profit are:							
Revenue from external customers	141,891	27,206	13,049	-	182,146	158,660	340,806
Share of profit of associate	-	3,483	-	-	3,483	-	3,483
Not included in the measure of segment profit but provided to Chief Operating Officer:							
Depreciation and amortisation	(1,278)	(41)	(2,221)	(3)	(3,543)	(4,338)	(7,881)
Finance costs	(3,957)	(774)	(1,041)	-	(5,772)	(12,656)	(18,428)
Finance income	2,292	47	2	20	2,361	11,131	13,492
Income tax expense	(1,250)	(70)	(626)	(5)	(1,951)	(5,482)	(7,433)
Segment assets	279,302	858,798	89,176	-	1,227,276	-	1,227,276
Included in the measure of segment assets are:							
Investment in associate	-	28,329	-	-	28,329	-	28,329
Additions to non-current assets other than financial instruments and deferred tax assets	98	152	55,516	-	55,766	15,006	70,772

28. Operating segments (continued)

Reconciliations of reportable segment profit or loss, assets and other material items

	2013 RM'000	2012 RM'000
Profit		
Total profit or loss for reportable segments	9,703	18,974
Depreciation and amortisation	(3,608)	(3,543)
Finance costs	(7,281)	(5,772)
Finance income	1,187	2,360
Unallocated expenses:		
Corporate expenses	(30,757)	(13,430)
Consolidated loss before tax from continuing operations	(30,756)	(1,411)
Profit from discontinued operations, net of tax	87,256	34,824
Consolidated profit before tax	56,500	33,413

Geographical segments

The constructions and concessions are managed on a worldwide basis, but operations are in Malaysia, China, Sri Lanka and Vietnam.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associate) and deferred tax assets.

	Geographical information			
	Revenue 2013 RM'000	Non current assets 2013 RM'000	Revenue 2012 RM'000	Non current assets 2012 RM'000
Malaysia	139,063	71,470	156,415	65,213
China	-	-	165,803	653,940
Sri Lanka	16,595	-	5,779	-
Vietnam	-	15	1,136	31
Other countries	8,954	57,279	11,673	55,256
	164,612	128,764	340,806	774,440
Assets classified as held for sale	202,864	555,155	-	-
	367,476	683,919	340,806	774,440

29. Financial instruments

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Available-for-sale financial assets (AFS); and
(d) Other liabilities (OL).

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2013				
Financial assets				
Group				
Trade and other receivables, including derivatives	233,968	233,968	-	-
Cash and cash equivalents	147,398	147,398	-	-
	381,366	381,366	-	-
Company				
Trade and other receivables	174,762	174,762	-	-
Cash and cash equivalents	104,130	104,130	-	-
	278,892	278,892	-	-
Financial liabilities				
Group				
Loans and borrowings	(31,291)	(31,291)	-	-
Trade and other payables, including derivatives	(167,505)	(167,505)	-	-
	(198,796)	(198,796)	-	-
Company				
Trade and other payables	(42,506)	(42,506)	-	-

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2012				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	823,507	823,421	-	86
Cash and cash equivalents	115,392	115,392	-	-
	938,985	938,813	86	86
Company				
Trade and other receivables	201,683	201,683	-	-
Cash and cash equivalents	4,733	4,733	-	-
	206,416	206,416	-	-
Financial liabilities				
Group				
Loans and borrowings	(343,660)	(343,660)	-	-
Trade and other payables, including derivatives	(230,429)	(230,429)	-	-
	(574,089)	(574,089)	-	-
Company				
Loans and borrowings	(86,540)	(86,540)	-	-
Trade and other payables	(9,223)	(9,223)	-	-
	(95,763)	(95,763)	-	-

29. Financial instruments (continued)

29.2 Net losses and gain arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net (losses)/gain arising on:				
Loans and receivables	(70)	895	3,161	(2,175)
Financial liabilities measured at amortised cost	(7,281)	(18,428)	(5,052)	(3,832)
	(7,351)	(17,533)	(1,891)	(6,007)

29.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

29.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from outstanding from subsidiaries and financial guarantees given for the banking facilities granted to the subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis, and credit evaluations are performed on customers requiring credit over a certain amount.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:

	Group	
	2013 RM'000	**2012 RM'000**
Domestic	139,402	125,342
Sri Lanka	16,642	16,712
Vietnam	30,018	39,181
China	34,350	627,841
Others	13,556	14,431
	233,968	823,507

At date of statement of financial position, there were no significant concentrations of credit risk.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was summarised as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2013			
Not past due	95,114	-	95,114
Past due 1 - 30 days	4,123	-	4,123
Past due 31 - 120 days	18,916	-	18,916
Past due more than 120 days	59,113	(16,217)	42,896
	177,266	(16,217)	161,049
2012			
Not past due	99,862	-	99,862
Past due 1 - 30 days	7,935	-	7,935
Past due 31 - 120 days	18,499	-	18,499
Past due more than 120 days	121,042	(19,892)	101,150
	247,338	(19,892)	227,446

Although certain trade receivables have become past due and exceeded the credit terms granted to them, the Directors are reasonably confident that all debts can be recovered within the next 12 months.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of trade receivables during the year were:

	2013 RM'000	2012 RM'000
At 1 January	(19,892)	(20,868)
Impairment loss recognised	(277)	(1,496)
Impairment loss reversed	23	2,293
Impairment loss written off	-	179
Transfer	3,929	-
At 31 December	(16,217)	(19,892)

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM18,727,000 (2012: RM327,230,000) representing the outstanding amount of banking facilities of the subsidiaries as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on their repayments.

The financial guarantees have not been recognised since the fair value on initial recognition were not material.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their respective carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

29.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as for as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Company No. 593796-T

29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2013							
Non-derivative financial liabilities							
Unsecured bank facilities	17,756	4.75% to 5.57%	19,370	6,333	11,810	460	767
Bank overdraft	971	7.60% to 9.10%	971	971	-	-	-
Finance lease liabilities	12,564	2.25% to 6.50%	13,731	5,002	4,971	3,758	-
Trade and other payables	168,655	-	168,655	168,655	-	-	-
	199,947		202,727	180,961	16,781	4,218	767
Company							
Non-derivative financial liabilities							
Trade and other payables	42,506		42,506	42,506	-	-	-

29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2012							
Non-derivative financial liabilities							
Unsecured bank facilities	326,646	2.90% to 8.00%	328,165	71,406	84,662	144,780	27,317
Bank overdraft	584	6.55% to 8.05%	584	584	-	-	-
Finance lease liabilities	16,430	2.25% to 6.50%	18,561	5,473	4,882	8,206	-
Trade and other payables	230,433	-	230,433	230,433	-	-	-
	574,093		577,743	307,896	89,544	152,986	27,317
Company							
Non-derivative financial liabilities							
Unsecured bank facility	86,540	5.60% to 5.85%	93,501	31,225	44,229	18,047	-
Trade and other payables	9,223	-	9,223	9,223	-	-	-
	95,763		102,724	40,448	44,229	18,047	-

29. Financial instruments (continued)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

29.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Euro (EUR), United States Dollar (USD), Japanese Yen (JPY), Vietnamese Dong (VND) and Sri Lanka Rupee (LKR).

Risk management objectives, policies and processes for managing the risk

The Group and the Company ensures that the net exposure is kept to an acceptable level by monitoring the fluctuation of the foreign currencies.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in				
	EUR	**USD**	**JPY**	**VND**	**LKR**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013					
Trade receivables	63	1,984	-	5,669	400
Cash and cash equivalents	44	6,350	187	215	5,000
Trade payables and other payables	-	-	(10,947)	(8,945)	(19,171)
Amount due from contract customers	-	-	4,410	506	779
Net exposure	107	8,334	(6,350)	(2,555)	(12,992)

29. Financial instruments (continued)

29.6 Market risk

29.6.1 Currency risk (continued)

Exposure to foreign currency risk

	Denominated in					
	AUD	EUR	USD	JPY	VND	LKR
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2012						
Trade receivables	-	1,505	2,093	5,232	5,829	1,743
Cash and cash equivalents	-	10	8,094	54	231	1,422
Trade payables and other payables	-	-	(1,597)	(20,724)	(8,411)	(2,911)
Forward exchange contracts	4	-	82	-	-	-
Amount due from contract customers	-	10,373	-	26,617	86	240
Net exposure	4	11,888	8,672	11,179	(2,265)	494

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have Ringgit Malaysia functional currency. The exposure to currency risk of Group entities which do not have a Ringgit Malaysia functional currency is not material and hence, sensitivity analysis is not performed.

A 10 percent strengthening of the following currencies against RM at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		Profit or loss	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
EUR	8	891	8	891
USD	625	650	625	650
JPY	(476)	838	(476)	838
VND	(230)	(169)	(230)	(169)
LKR	(1,033)	37	(1,033)	37
	(1,106)	2,247	(1,106)	2,247

A 10 percent weakening of the above currencies against RM at the end of the reporting period would have had equal but opposite effect to the amounts shown on the above currencies, on the basis that all other variables remain constant.

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrowed for operations at variable rates using its overdrafts, revolving credit, bankers' acceptance and term loan facilities, and uses fixed rate finance lease agreements to finance capital expenditure. Deposits are placed with established banks or financial institutions at the prevailing market rate.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	119,656	41,362	103,781	-
Financial liabilities	15,670	32,503	-	-
Floating rate instrument				
Financial liabilities	15,621	311,157	-	86,540

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group Profit or loss		**Company Profit or loss**	
	100 bp increase RM'000	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
2013				
Floating rate instruments	(117)	117	-	-
2012				
Floating rate instruments	(2,333)	2,333	(649)	649

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

29. Financial instruments (continued)

29.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013										
Financial liabilities										
Unsecured bank loans	-	-	-	-	-	(17,757)	-	(17,757)	(17,757)	(17,757)
Finance lease liabilities	-	-	-	-	-	(11,545)	-	(11,545)	(11,545)	(12,564)
	-	-	-	-	-	(29,302)	-	(29,302)	(29,302)	(30,321)
2012										
Financial assets										
Forward exchange contracts:	-	86	-	86	-	-	-	-	86	86
Financial liabilities										
Unsecured bank loans	-	-	-	-	-	(276,326)	-	(276,326)	(276,326)	(326,647)
Finance lease liabilities	-	-	-	-	-	(16,160)	-	(16,160)	(16,160)	(16,430)
	-	-	-	-	-	(292,486)	-	(292,486)	(292,486)	(343,077)
Company										
2012										
Financial liabilities										
Unsecured bank loans	-	-	-	-	-	(84,318)	-	(84,318)	(84,318)	(86,540)

29. Financial instruments (continued)

29.7 Fair value of information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2012: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

30. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and determine an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 December 2013 and 31 December 2012 were as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Total borrowings (Note 16)	31,291	343,660
Less: Cash and cash equivalents (Note 14)	(147,398)	(115,392)
Net debt	(116,107)	228,268
Total equity	720,356	642,045
Debt-to-equity ratio	-	0.35

There were no changes in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

The Group is also required to maintain a debt-to-equity ratio at no more than 1.25 to comply with a bank covenant, failing which, the bank may call an event of default.

Company No. 593796-T

31. Contingencies

The unrecognised contingencies of the Group and the Company at the end of the reporting period are summarised at below:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	546,369	419,369
Bank guarantee given to third parties relating to performance, tender and advance payment bonds - unsecured	177,521	110,297	-	-
Guarantees given in favour of main contractors of the subsidiaries - unsecured	10,918	10,918	10,918	10,918

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

The Group has related party relationships with its subsidiaries (see Note 7), associate (see Note 8), Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 20.

32. Related parties (continued)

Significant transactions with subsidiaries

Company	Transaction value year ended 31 December 2013 RM'000	2012 RM'000
Interest income	3,032	3,639

The outstanding balances due from subsidiaries are disclosed in Note 5.

33. Operating leases

Lease as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2013 RM'000	2012 RM'000
Less than one year	436	1,455
Between one and five years	-	2,381
More than five years	-	3,076
	436	6,912

The Group leases offices under operating leases. The leases typically run for a period of years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

34. Capital and other commitments

	2013 RM'000	2012 RM'000
Capital expenditure commitments		
Contracted but not provided for	-	5,399
Guaranteed minimum gross rental		
Contracted but not provided for in the financial statements	-	6,912

35. Acquisition of non-controlling interests

Salcon Darco Environmental Pte. Ltd.

In July 2013, the Group acquired the remaining 40% interest in Salcon Darco Environmental Pte. Ltd. for RMB63 million (approximately RM32.7 million) in cash, increasing its ownership from 60% to 100%. The carrying amount of Salcon Darco Environmental Pte. Ltd. net assets in the Group's financial statements on the date of the acquisition was RM39.2 million. The non-controlling interest has therefore been derecognised.

The following summarises the effect of changes in the equity interest in Salcon Darco Environmental Pte. Ltd. that is attributable to owners of the Company:

	Group 2013 RM'000
Equity interest at 1 January 2013	11,879
Effect of increase in Company's ownership interest	39,228
Share of comprehensive income	6,938
Disposal of entire interests *	(58,045)
Equity interest at 31 December 2013	-

* The entire interests in the subsidiary has been disposed of subsequently in November 2013 (see Note 23).

36. Employee Share Options Scheme ("ESOS")

Other than the Directors whose interests are disclosed separately in the Directors' Report, the eligible employees of the Group whose share options entitlements are equal to or more than 700,000 share options for the new options granted in 2013 in the Company pursuant to the ESOS are as follows:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2013	**Granted**	**Exercised**	**At 31.12.2013**
Chern Meng Gaik	-	700,000	700,000	-
Eng Boon Chong	-	700,000	700,000	-
Jamiluddin Amini Sulaiman	-	1,006,250	540,000	466,250
Law Woo Hock	-	1,225,000	1,225,000	-
Lee Choon Weng	-	700,000	700,000	-
Lee Thim Loy	-	875,000	875,000	-
Low Beng Peow	-	875,000	875,000	-
Ong Sian	-	700,000	700,000	-
Ooi Cheng Swee	750,000	1,225,000	-	1,975,000

37. Significant event

Significant events during the year are as follows:

i) Acquisition of remaining equity interest in a subsidiary

During the year, the Company has acquired the remaining 40% of the equity interests in Salcon Darco for a total cash consideration of RMB63 million (approximately RM32.7 million) (see Note 35).

ii) Purchase price adjustment

On 30 September 2013, the Company has paid Challenger Emerging Market Infrastructure Fund a sum of USD4.6 million. This amount represents purchase price adjustment for the disposal of 40% stakes in Salcon Water (Asia) Limited which was concluded in 2010 as certain conditions stipulated in the share sales agreement were not met. The amount has been recognised within "other expenses" in the profit or loss.

iii) Disposal of China subsidiaries

During the year, the Group entered into two agreements with Beijing Enterprise Water Group Limited, being SPA-A and SPA-B which cover the following businesses:-

SPA-A
This agreement covers the disposal of Salcon Jiangsu (HK) Limited and Salcon Darco Environmental Pte Ltd and their respective subsidiaries in Jiangsu and Deqing provinces in People's Republic of China for a total consideration of RMB307 million (see Note 23).

SPA-B
This agreement covers the disposal of Salcon Shandong (HK) Limited, Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, and Salcon Linyi (HK) Limited and their respective subsidiaries in Changle, Nan An, Haining and Linyi provinces in People's Republic of China for a total consideration of RMB648 million. The transaction is yet to be completed as at end of reporting period and reported as disposal group held for sale accordingly (see Note 13).

38. Subsequent event

Subsequent to year end, Linyi Raw Water Co Ltd ("Linyi RW") filed a legal claim against Linyi Salcon Water Co Ltd ("Salcon Linyi") for outstanding consideration sum of RMB29.5 million together with interest of RMB6.1 million related to the acquisition of state-owned assets.

In response, Salcon Linyi contested the amount as the purchase consideration was RMB25.1 million, against which Salcon Linyi has paid RMB13.5 million. Salcon Linyi has then filed a counter-claim of RMB18.3 million. The counter-claim was made on the basis that Salcon Linyi has been settling the retrenchment costs on behalf of Linyi RW. The case is pending hearing in May 2014.

39. Comparative figures

During the year, the Group entered into a sale and purchase agreement with a third party to dispose of its businesses in People's Republic of China through the disposal of the shares in the intermediate holding companies in Hong Kong (see Note 7). The disposal was not a discontinued operation or classified as held for sale as at 31 December 2012 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

	31.12.2012	
	As restated RM'000	**As previously stated RM'000**
Revenue	182,146	340,806
Cost of sales	(159,642)	(273,522)
Gross profit	22,504	67,284
Other income	14,508	31,120
Distribution expenses	(3,219)	(4,892)
Administrative expenses	(33,703)	(51,592)
Other expenses	(1,572)	(1,572)
Results from operating activities	(1,482)	40,348
Finance income	2,360	13,492
Finance costs	(5,772)	(18,428)
Operating (loss)/profit	(4,894)	35,412
Share of profit of equity-accounted associates, net of tax	3,483	3,483
(Loss)/Profit before tax	(1,411)	38,895
Income tax	(1,951)	(7,433)
(Loss)/Profit from continuing operations	(3,362)	31,462
Discontinued operations		
Profit from discontinued operation, net of tax	34,824	-
Profit for the year	31,462	31,462
Other comprehensive income, net of tax		
Foreign currency translation differences for foreign operations	(4,546)	(4,546)
Total comprehensive income/ (expense) for the year, net of tax	(4,546)	(4,546)
Total comprehensive income for the year	26,916	26,916

40. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	157,832	117,303	15,897	(1,037)
- unrealised	7,842	(4,476)	3,160	(5,676)
	165,674	112,827	19,057	(6,713)
Share of retained earnings of associate				
- realised	6,050	6,529	-	-
Share of retained earnings of jointly controlled entities				
- realised	1,496	1,496	-	-
	173,220	120,852	19,057	(6,713)
Less:Consolidation adjustments	(73,978)	(41,161)	-	-
Total retained earnings	99,242	79,691	19,057	(6,713)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 9 to 117 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 40 on page 118 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....
Dato' Seri (Dr.) Goh Eng Toon

....
Tan Sri Dato' Tee Tiam Lee

Kuala Lumpur,

Date: 25 April 2014

Salcon Berhad
(Company No. 593796-T)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Law Woo Hock**, the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 118 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 25 April 2014.

....
Law Woo Hock

Before me,

Lee Chin Hin
(W493)
Commissioner for Oaths
Kuala Lumpur

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

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Independent Auditors' Report to the members of Salcon Berhad

(Company No. 593796-T)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 117.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company No. 593796-T

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 40 on page 118 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 593796-T

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Approval Number: 1745/12/15(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 25 April 2014