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

Financial statements for the year ended 31 December 2011

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

Directors' report for the year ended 31 December 2011

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 2011.

Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of the subsidiaries are as 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	14,645	39,328
Non-controlling interests	10,710	-
	25,355	39,328
	=====	=====

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the Company paid a first and final dividend of 1.5 sen per ordinary share, single tier totalling RM7,115,000 in respect of the financial year ended 31 December 2010 on 22 July 2011.

The first and final dividend of 1.5 sen per ordinary share, single tier recommended by the Directors in respect of the financial year ended 31 December 2011, is subject to the approval of the owners of the Company at the forthcoming Annual General Meeting.

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 1.1.2011/ Date of appointment	**Bought**	**Sold**	**At 31.12.2011**
The Company				
Direct interest				
Dato' Choong Moh Kheng	2,040,000	15,000	-	2,055,000
Dato' Dr. Freezailah bin Che Yeom	50,400	-	-	50,400
Tan Sri Dato' Tee Tiam Lee	26,796,400	-	-	26,796,400
Dato' Leong Kok Wah	700,000	-	-	700,000
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	200,000 (3)	66,709,600 (4)	-	66,909,600
Ho Tet Shin (5)	21,400	-	-	21,400
Dato' Choong Moh Kheng (6)	10,000,000	-	-	10,000,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2011	**Granted**	**Exercised**	**At 31.12.2011**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	1,400,000	-	-	1,400,000
Dato' Leong Kok Wah	1,400,000	-	-	1,400,000

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Directors' interests (continued)

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

	Number of Warrants 2007/2014			
	At 1.1.2011	Acquired	Exercised/ Disposed	At 31.12.2011
The Company				
Direct interest				
Dato' Dr. Freezailah bin Che Yeom	12,700	-	-	12,700
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
Deemed interest				
Tan Sri Dato' Tee Tiam Lee [(2)]	7,370,650	-	-	7,370,650
Dato' Seri (Dr.) Goh Eng Toon [(1)]	16,704,800	-	-	16,704,800
Ho Tet Shin [(5)]	10,700	-	-	10,700
Dato' Leong Kok Wah [(4)]	-	16,704,800	-	16,704,800

(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 spouse (Datin Seri Kee Seok Ai) in Naga Muhibbah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
(iii)Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibbah 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) Deemed interested through the shares held by children (Leong Yi Shen and Leong Yi Ping) pursuant to Section 6A of the Companies Act, 1965.

(4) Deemed interested through shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibbah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

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

(6) 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.

Issue of shares and debentures

During the financial year, the Company issued 759,500 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.57 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 (2010: 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 Employees Share Option Scheme ("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.

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:

Options granted over unissued shares (continued)

i) Maximum allowable allotment and basis of allocation (continued)

(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, any employee or Executive Director of any company comprised in the Group shall be eligible to be considered for the offer of ESOS Options under the ESOS provided that:

(a) he/she is a natural person who is at least eighteen (18) years of age;
(b) he/she is employed full time by and on the payroll of any company in the Group;
(c) in the case of an Executive Director, whose specific allocation has been approved by the shareholders of the Company in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
(d) 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 the Executive Directors); and
(e) he/she complies fully with any other criteria set by the ESOS Committee.

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

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.

Options granted over unissued shares (continued)

iv) Subscription price (continued)

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

Date of offer	Exercise price	Number of options over ordinary shares of RM0.50 each At 1.1.2011	Granted	Exercised	Lapsed	At 31.12.2011
9 July 2010	RM0.57	24,430,500	-	759,500	3,662,300	20,008,700
1 July 2011	RM0.52	-	1,647,000	-	-	1,647,000

In 2010, the Company was granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom less than 400,000 options.

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 120,000 options for the new option granted in 2011. 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 2010 of 400,000 or more ordinary shares of RM0.50 each and whose options granted in 2011 of 120,000 or more ordinary shares of RM0.50 each are disclosed in Note 39 to the financial statements.

Other statutory information

Before the statements of financial position and statements of comprehensive income 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.

Other statutory information (continued)

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 effects arising from the changes in accounting policies due to the adoption of IC Interpretation 12, Service Concession Arrangements as disclosed in Note 37 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2011 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.

Subsequent events

The subsequent events are as disclosed in Note 36 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: 24 April 2012

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

Statements of financial position at 31 December 2011

		Group			Company	
	Note	31.12.2011 RM'000	31.12.2010 RM'000 restated	1.1.2010 RM'000 restated	31.12.2011 RM'000	31.12.2010 RM'000
Assets						
Property, plant and equipment	3	28,842	8,467	21,322	-	-
Intangible assets	4	15,293	15,705	14,525	-	-
Concession intangible assets	4	119,767	99,368	73,525	-	-
Trade and other receivables	12	376,555	274,959	167,532	-	-
Prepaid lease payments	5	-	-	-	-	-
Investment properties	6	5,104	3,443	4,695	-	-
Investments in subsidiaries	7	-	-	-	156,027	80,675
Investment in associate	8	28,650	30,690	32,128	-	-
Other investments	10	86	86	86	-	-
Deferred tax assets	11	2,420	2,420	2,441	-	-
Total non-current assets		576,717	435,138	316,254	156,027	80,675
Trade and other receivables, including derivatives	12	286,603	272,404	287,509	186,928	231,138
Inventories	13	2,940	5,421	3,305	-	-
Current tax assets		717	143	91	506	-
Assets classified as held for sale	14	-	653	1,130	-	-
Cash and cash equivalents	15	214,531	145,230	147,519	9,665	2,289
Total current assets		504,791	423,851	439,554	197,099	233,427
Total assets		1,081,508	858,989	755,808	353,126	314,102
Equity						
Share capital		237,154	236,774	233,860	237,154	236,774
Reserves		67,501	50,865	67,207	61,124	59,373
Retained earnings/ (Accumulated losses)		84,743	35,466	14,449	(4,789)	(37,002)
Total equity attributable to owners of the Company	16	389,398	323,105	315,516	293,489	259,145
Non-controlling interests		159,032	89,362	75,229	-	-
Total equity		548,430	412,467	390,745	293,489	259,145

Company No. 593796-T

Statements of financial position as at 31 December 2011
(continued)

	Note	Group 31.12.2011 RM'000	Group 31.12.2010 RM'000 restated	Group 1.1.2010 RM'000 restated	Company 31.12.2011 RM'000	Company 31.12.2010 RM'000
Liabilities						
Loans and borrowings	17	52,571	40,276	8,964	38,000	38,000
Deferred tax liabilities	11	402	79	-	-	-
Total non-current liabilities		52,973	40,355	8,964	38,000	38,000
Trade and other payables, including derivatives	19	227,768	205,519	251,342	9,137	8,930
Loans and borrowings	17	250,614	195,911	102,110	12,500	8,000
Current tax liabilities		1,723	4,737	2,647	-	27
Total current liabilities		480,105	406,167	356,099	21,637	16,957
Total liabilities		533,078	446,522	365,063	59,637	54,957
Total equity and liabilities		1,081,508	858,989	755,808	353,126	314,102

The notes on pages 20 to 116 are an integral part of these financial statements.

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

Statements of comprehensive income for the year ended 31 December 2011

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Revenue	20	472,462	549,879	617	37,541
Cost of sales		(392,713)	(472,360)	-	-
Gross profit		79,749	77,519	617	37,541
Other income		13,156	14,185	44,379	3
Distribution expenses		(9,638)	(5,167)	(12)	(30)
Administrative expenses		(52,775)	(43,919)	(6,000)	(19,206)
Other expenses		(953)	(1,108)	-	-
Results from operating activities		29,539	41,510	38,984	18,308
Finance income		11,756	5,658	2,700	1,405
Finance costs	23	(15,134)	(6,747)	(2,792)	(796)
Operating profit		26,161	40,421	38,892	18,917
Share of profit of equity-accounted investee, net of tax		2,892	3,643	-	-
Profit before tax		29,053	44,064	38,892	18,917
Income tax	24	(3,698)	(8,602)	436	(9,441)
Profit for the year	21	25,355	35,462	39,328	9,476

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Statements of comprehensive income for the year ended 31 December 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Other comprehensive income/ (expense), net of tax					
Foreign currency translation differences for foreign operations		26,155	(17,047)	-	-
Total other comprehensive income/ (expense) for the year, net of tax	25	26,155	(17,047)	-	-
Total comprehensive income for the year		51,510	18,415	39,328	9,476
Profit attributable to:					
Owners of the Company		14,645	26,793	39,328	9,476
Non-controlling interests		10,710	8,669	-	-
Profit for the year		25,355	35,462	39,328	9,476
Total comprehensive income attributable to:					
Owners of the Company		29,530	8,295	39,328	9,476
Non-controlling interest		21,980	10,120	-	-
Total comprehensive income for the year		51,510	18,415	39,328	9,476
Basic earnings per ordinary share (sen)	26	3.09	5.72		
Diluted earnings per ordinary share (sen)	26	2.94	5.48		

The notes on pages 20 to 116 are an integral part of these financial statements.

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

Statements of changes in equity for the year ended 31 December 2011

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to Owners of the Company							→		
		← *Non-distributable*					→	*Distributable*			
At 1 January 2010, previously stated		233,860	35,067	22,150	9,840	150	-	6,464	307,531	71,700	379,231
Effect of adoption of IC 12		-	-	-	-	-	-	7,985	7,985	3,529	11,514
At 1 January 2010, restated		233,860	35,067	22,150	9,840	150	-	14,449	315,516	75,229	390,745
Effect of adoption of FRS 139		-	-	-	-	-	-	1,239	1,239	-	1,239
Foreign currency translation differences for foreign operations		-	-	-	(18,498)	-	-	-	(18,498)	1,451	(17,047)
Total other comprehensive Income for the year		-	-	-	(18,498)	-	-	-	(18,498)	1,451	(17,047)
Profit for the year		-	-	-	-	-	-	21,145	21,145	7,382	28,527
Total comprehensive income for the year		-	-	-	(18,498)	-	-	21,145	2,647	8,833	11,480
Share options exercised		2,914	407	-	-	-	-	-	3,321	-	3,321
Share-based payment transactions	18	-	-	-	-	-	1,749	-	1,749	-	1,749
Dividends to owners	27	-	-	-	-	-	-	(7,015)	(7,015)	-	(7,015)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(5,399)	(5,399)
Total contribution from/ distribution to owners		2,914	407	-	-	-	1,749	(7,015)	(1,945)	(5,399)	(7,344)

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Statements of changes in equity for the year ended 31 December 2011 (continued)

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to Owners of the Company →									
		← *Non-distributable* →						*Distributable*			
Total transactions with owners		2,914	407	-	-	-	1,749	(7,015)	(1,945)	(5,399)	(7,344)
Transfer to share premium for share options exercised		-	971	-	-	-	(971)	-	-	-	-
Subscription of shares by non-controlling interest in subsidiary		-	-	-	-	-	-	-	-	9,412	9,412
At 31 December 2010/ 1 January 2011		236,774	36,445	22,150	(8,658)	150	778	29,818	317,457	88,075	405,532
Effect of adopting IC 12		-	-	-	-	-	-	5,648	5,648	1,287	6,935
At 1 January 2011, as restated		236,774	36,445	22,150	(8,658)	150	778	35,466	323,105	89,362	412,467
Foreign currency translation differences for foreign operations		-	-	-	14,885	-	-	-	14,885	11,270	26,155
Total other comprehensive income for the year		-	-	-	14,885	-	-	-	14,885	11,270	26,155
Profit for the year		-	-	-	-	-	-	14,645	14,645	10,710	25,355
Total comprehensive income for the year		-	-	-	14,885	-	-	14,645	29,530	21,980	51,510

Statements of changes in equity for the year ended 31 December 2011 (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**	**Revaluation reserve RM’000**	**Share option reserve RM’000**	**Retained earnings RM’000**	**Total RM’000**	**Non-controlling interests RM’000**	**Total equity RM’000**
Total comprehensive income for the year		-	-	-	14,885	-	-	14,645	29,530	21,980	51,510
Share options exercised		380	53	-	-	-	-	-	433	-	433
Dividends to owners	27	-	-	-	-	-	-	(7,115)	(7,115)	-	(7,115)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	(3,538)	(3,538)
Share-based payment transactions	18	-	-	-	-	-	1,698	-	1,698	-	1,698
Total contribution from/ distribution to owners		380	53	-	-	-	1,698	(7,115)	(4,984)	(3,538)	(8,522)
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	41,747	41,747	51,228	92,975
Total transaction with owners		380	53	-	-	-	1,698	34,632	36,763	47,690	84,453
Transfer to share premium for share options exercised		-	129	-	-	-	(129)	-	-	-	-
At 31 December 2011		237,154	36,627	22,150	6,227	150	2,347	84,743	389,398	159,032	548,430
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

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Statements of changes in equity for the year ended 31 December 2011 (continued)

Company	Note	← *Non-Distributable* Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
At 1 January 2010		233,860	35,067	22,150	-	(39,463)	251,614
Profit and total comprehensive income for the year		-	-	-	-	9,476	9,476
Share options exercised		2,914	407	-	-	-	3,321
Share-based payment transactions	18	-	-	-	1,749	-	1,749
Dividends to owners	27	-	-	-	-	(7,015)	(7,015)
Total contribution from/ distribution to owners		2,914	407	-	1,749	(7,015)	(1,945)
Transfer to share premium for share options exercised		-	971	-	(971)	-	-
At 31 December 2010/ 1 January 2011		236,774	36,445	22,150	778	(37,002)	259,145
Profit and total comprehensive income for the year		-	-	-	-	39,328	39,328
Share options exercised		380	53	-	-	-	433
Share-based payment transactions	18	-	-	-	1,698	-	1,698
Dividends to owners	27	-	-	-	-	(7,115)	(7,115)
Total contribution from/ Distribution to owners		380	53	-	1,698	(7,115)	(4,984)
Transfer to share premium for share options exercised		-	129	-	(129)	-	-
At 31 December 2011		237,154	36,627	22,150	2,347	(4,789)	293,489
		Note 16	Note 16	Note 16	Note 16		

The notes on pages 20 to 116 are an integral part of these financial statements.

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

Statements of cash flows for the year ended 31 December 2011

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000 restated**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	29,053	44,064	38,892	18,917
Adjustments for:				
Amortisation of concession intangible assets	5,801	2,936	-	-
Amortisation of government grant	(605)	-	-	-
Amortisation of intangible assets	412	364	-	-
Bad debts written off	10	-	-	-
Change in fair value of investment properties	528	95	-	-
Depreciation of property, plant and equipment	2,912	2,046	-	-
Dividend income	-	-	(617)	(37,541)
Equity settled share-based payment transactions	1,698	1,749	230	322
Finance costs	15,134	6,747	2,792	796
Finance income	(11,756)	(5,658)	(2,700)	(1,405)
Gain on bargain purchase	(21)	-	-	-
Gain on disposal of property, plant and equipment	(53)	(5,922)	-	-
Gain on disposal of assets classified as held for sale	-	(40)	-	-
Gain on disposal of equity interest	-	-	(41,747)	-
Loss on disposal of investment properties	100	40	-	-
Share of profit of equity accounted associate	(2,892)	(3,643)	-	-
Property, plant and equipment written off	12	7	-	-
Unrealised (gain)/loss on foreign exchange	(57)	(218)	(2,390)	13,388
Operating profit/(loss) before changes in working capital	40,276	42,567	(5,540)	(5,523)
Changes in trade and other receivables	(85,996)	(74,231)	(104,977)	(51,647)
Changes in inventories	2,481	(2,116)	-	-
Changes in trade and other payables	9,321	(48,267)	207	8,743
Cash used in operations	(33,918)	(82,047)	(110,310)	(48,427)

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2011 (continued)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash used in operations	(33,918)	(82,047)	(110,310)	(48,427)
Interest paid	(15,134)	(6,747)	(2,792)	(796)
Tax paid	(7,221)	(6,464)	(97)	(334)
Net cash used in operating activities	(56,273)	(95,258)	(113,199)	(49,557)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(3,934)	(1,124)	-	-
Acquisition of concession intangible assets	(21,916)	(28,779)		
Acquisition of investment properties	(3,791)	(54)	-	-
Acquisition of subsidiary, net of cash acquired	(16,122)	(22,558)	-	-
Dividends received from				
- Associated company	4,932	5,081	-	-
- Subsidiaries	-	-	28,076	8,041
Interest received	11,756	5,658	2,700	1,405
Proceeds from disposal of assets classified as held for sale	653	1,170	-	-
Proceeds from disposal of investment properties	1,502	518	-	-
Proceeds from disposal of property, plant and equipment	117	19,559	-	-
Proceeds from disposal of equity interest	-	-	91,981	-
Fund placed with debts service reserve account	(2,201)	(2,201)	(2,201)	(2,201)
Net cash (used in)/generated from investing activities	(29,004)	(22,730)	120,556	7,245
Cash flows from financing activities				
Acquisition of non-controlling interests	994	9,412	-	-
Dividends paid to non-controlling interests	(3,538)	(5,399)	-	-
Dividends paid to owners of the Company	(7,115)	(7,015)	(7,115)	(7,015)
Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	91,981	-	-	-
Net proceeds from issue of share capital	433	3,321	433	3,321
Proceeds from borrowings	129,179	219,079	12,500	52,000
Repayment of borrowings	(62,362)	(101,159)	(8,000)	(6,000)
Payment of finance lease liabilities	(2,660)	(1,629)	-	-
Net cash generated from/(used in) financing activities	146,912	116,610	(2,182)	42,306

Statements of cash flows for the year ended 31 December 2011

(continued)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	61,635	(1,378)	5,175	(6)
Cash and cash equivalents at 1 January	139,400	147,312	88	94
Effect of exchange rate fluctuations on cash held	7,591	(6,534)	-	-
Cash and cash equivalents at 31 December	208,626	139,400	5,263	88

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	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	131,717	88,763	5,000	-
Cash and bank balances	82,814	56,467	4,665	2,289
Bank overdrafts	(1,503)	(3,629)	-	-
	213,028	141,601	9,665	2,289
Less : Amount placed with debts service reserve account	(4,402)	(2,201)	(4,402)	(2,201)
	208,626	139,400	5,263	88

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM22,989,000 (2010: RM2,410,000), of which RM19,055,000 (2010: RM1,286,000) were acquired by means of finance leases.

The notes on pages 20 to 116 are an integral part of these financial statements.

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 2011 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 2011 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 24 April 2012.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)

The Group's financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, the Group will not be adopting the above FRSs, Interpretations and amendments.

(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.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs 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 3 - revaluation of property, plant and equipment
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 6 - valuation of investment properties
- Note 11 - recognition of unutilised tax losses
- Note 12 - valuation of recoverability and impairment of receivables

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 the Group entities, other than those disclosed in the following notes:

- Note 2(f)(iii) - Concession Intangible Assets
- Note 2(w) - Service Concession Arrangements

2. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. 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. In assessing control, potential voting rights that presently are exercisable are taken into account.

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. The cost of investments includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(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.

The Group has changed its accounting policy with respect to accounting for business combinations.

From 1 January 2011, the Group has applied FRS 3, *Business Combinations* (revised) in accounting for business combinations. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 January 2006 and 1 January 2011

For acquisitions between 1 January 2006 and 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions prior to 1 January 2006

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

(iii) Accounting for acquisitions of 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

The Group applied FRS 127, *Consolidated and Separate Financial Statements* (revised) since the beginning of the reporting period in accordance with the transitional provisions provided by the standard and does not have impact on earnings per share. Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the 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 previous 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.

In the previous financial years, if the Group retained any interest in the previous subsidiary, such interest was measured at the carrying amount at the date that control was lost and this carrying amount would be regarded as cost on initial measurement of the investment.

(v) Associates

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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 equity accounted 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 investee.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

(vi) Jointly-controlled operation and assets

The interest of the Company or of the Group in unincorporated joint ventures and jointly-controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(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 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests (continued)

Since the beginning of the reporting period, the Group has applied FRS 127, *Consolidated and Separate Financial Statements* (revised) where 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. This change in accounting policy is applied prospectively in accordance with the transitional provisions of the standard and does not have impact on earnings per share.

In the previous financial years, where losses applicable to the non-controlling interests exceed their interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, were charged against the Group's interest except to the extent that the non-controlling interests had a binding obligation to, and was able to, make additional investment to cover the losses. If the subsidiary subsequently reported profits, the Group's interest was allocated with all such profits until the non-controlling interests' share of losses previously absorbed by the Group had been recovered.

(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 investees 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 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, 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 profit 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 a designated and 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 and cash and cash equivalents.

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)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

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 a designated and effective hedging instrument) or financial liabilities 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 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost/valuation 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Property, plant and equipment under the revaluation model

The Group revalues its property comprising land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

During the year, upon adoption of IC Interpretation 12, Service Concession Arrangements, certain classes of property, plant and equipment were reclassified as concession intangible assets and financial assets.

(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.

(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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part 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.

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, and adjusted as appropriate at the end of the reporting period.

(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. On initial recognition of 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.

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.

During the year, upon adoption of IC Interpretation 12, Service Concession Arrangements, prepaid lease payments were reclassified as concession intangible assets and financial assets.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(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 in the statement of financial position of the Group or the Company. 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 in an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, 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 investee.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group 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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iii) Concession intangible assets

Upon the adoption of IC Interpretation 12, Service Concession Arrangements, the infrastructure assets incurred that establish or vary 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 and are amortised over the concession period on a straight line amortisation. 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 and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired. Concession intangible assets are tested for impairment annually and whenever there is an indication that they may be impaired

Intangible assets and concession intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets 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

2. Significant accounting policies (continued)

(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.

(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 other comprehensive income and accumulated in equity as revaluation reserve. 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.

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(iii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices, have been served validly and within the appropriate time.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 6.

(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.

2. Significant accounting policies (continued)

(h) Inventories (continued)

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.

(i) Receivables

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

(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 to sell.

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 investees 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.

2. Significant accounting policies (continued)

(k) Construction work in progress (continued)

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 deferred revenue in the statement of financial position.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 2(c).

(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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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.

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial assets (continued)

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.

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 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 units 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 to sell. 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 or the group of cash-generating units and then to reduce the carrying amount 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) 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.

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards 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 options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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.

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.

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/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 is recognised in profit or loss when services are rendered.

(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.

(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.

(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.

2. Significant accounting policies (continued)

(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.

(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 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.

2. Significant accounting policies (continued)

(t) Income tax (continued)

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.

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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(u) 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.

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.

(v) 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 assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(w) Service concession arrangements

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 instrastructure 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 under the heading "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 operating concession revenue of the infrastructure.

The Group recognises revenue from the construction and upgrading of infrastructure in accordance with its accounting policy for construction contracts set out in Note 2(q)(ii).

The Group has entered into a few 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 consumer based on the water usage and rates as determined by the grantor for concession period.

3. Property, plant and equipment

Group **Cost/Valuation**	**Land RM'000**	**Freehold buildings RM'000**	**Long term leasehold 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 2010, previously stated	7,556	409	96,370	84,311	9,393	4,642	59,674	262,355
Effect of adoption of IC 12	-	-	(88,998)	(83,718)	-	-	(59,674)	(232,390)
At 1 January 2010, restated	7,556	409	7,372	593	9,393	4,642	-	29,965
Acquisition through business combinations	-	-	20,833	10,007	35	120	-	30,995
Other additions	-	-	26,305	15,253	1,754	655	77,044	121,011
Effect of adoption of IC 12	-	-	(40,581)	(19,081)	-	-	(72,810)	(132,472)
Disposals	(6,400)	-	(7,667)	-	(915)	(29)	-	(15,011)
Write-off	-	-	-	-	-	(62)	-	(62)
Effect of movements in exchange rates	-	-	(6,262)	(5,909)	(220)	(68)	(4,234)	(16,693)
At 31 December 2010, as restated/ 1 January 2011	1,156	409	-	863	10,047	5,258	-	17,733
Acquisition through business combinations	-	-	-	150	-	-	-	150
Other additions	-	-	-	2	22,377	610	-	22,989
Disposals	-	-	-	(271)	(571)	(511)	-	(1,353)
Write-off	-	-	-	-	-	(21)	-	(21)
Effect of movements in exchange rates	-	-	-	-	288	76	-	364
At 31 December 2011	1,156	409	-	744	32,141	5,412	-	39,862

3. Property, plant and equipment (continued)

Group **Cost/Valuation**	**Land** **RM'000**	**Freehold buildings** **RM'000**	**Long term leasehold 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**
Representing items at:								
Cost	-	-	-	744	32,141	5,412	-	38,297
Valuation	1,156	409	-	-	-	-	-	1,565
At 31 December 2011	1,156	409	-	744	32,141	5,412	-	39,862

3. Property, plant and equipment (continued)

Depreciation	Land RM'000	Freehold buildings RM'000	Long term leasehold 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 2010, previously stated	273	63	8,988	17,387	4,224	3,301	-	34,236
Effect of adoption of IC 12	-	-	(8,632)	(16,961)	-	-	-	(25,593)
At 1 January 2010, restated	273	63	356	426	4,224	3,301	-	8,643
Depreciation for the year	55	10	3,295	5,834	1,300	490	-	10,984
Effect of adoption of IC 12	-	-	(2,638)	(4,395)	-	-	-	(7,033)
Disposals	(266)	-	(401)	-	(699)	(8)	-	(1,374)
Write-off	-	-	-	-	-	(55)	-	(55)
Effect of movements in exchange rates	-	-	(612)	(1,196)	(57)	(34)	-	(1,899)
At 31 December 2010, as restated/ 1 January 2011	62	73	-	669	4,768	3,694	-	9,266
Depreciation for the year	4	10	-	239	2,150	509	-	2,912
Disposals	-	-	-	(254)	(570)	(465)	-	(1,289)
Write-off	-	-	-	-	-	(9)	-	(9)
Effect of movements in exchange rates	-	-	-	-	95	45	-	140
At 31 December 2011	66	83	-	654	6,443	3,774	-	11,020

3. Property, plant and equipment (continued)

Carrying amounts	Land RM'000	Freehold buildings RM'000	Long term leasehold 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 2010, as restated	7,283	346	7,016	167	5,169	1,341	-	21,322
At 31 December 2010, as restated/ 1 January 2011	1,094	336	-	194	5,279	1,564	-	8,467
At 31 December 2011	1,090	326	-	90	25,698	1,638	-	28,842
Representing items at:								
Cost	-	-	-	90	25,698	1,638	-	27,426
Valuation	1,090	326	-	-	-	-	-	1,416
At 31 December 2011	1,090	326	-	90	25,698	1,638	-	28,842

3. Property, plant and equipment (continued)

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 RM21,239,000 (2010: RM3,621,000).

Property, plant and equipment under the revaluation model

Leasehold land, freehold land and building of subsidiaries were revalued on 31 July 2006 and 21 December 2007 respectively by independent professional qualified valuers using the open market value method.

Had the leasehold land been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Leasehold land	345	349
Freehold land and building	620	628
	965	977

Land

Included in the carrying amounts of land are:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Freehold land	745	745
Long term leasehold land	345	349
	1,090	1,094

4. Intangible assets

Group	Goodwill RM'000	Intangible assets RM'000	Concession intangible assets RM'000	Total RM'000
Cost				
At 1 January 2010, previously stated	3,683	11,631	-	15,314
Effect of adoption of IC 12	-	-	80,078	80,078
At 1 January 2010, restated	3,683	11,631	80,078	95,392
Acquisition through business combinations	-	1,544	-	1,544
Effect of adoption of IC 12	-	-	28,779	28,779
At 31 December 2010, as restated/1 January 2011	3,683	13,175	108,857	125,715
Addition	-	-	21,916	21,916
Effect of movements in exchange rates	-	-	6,348	6,348
At 31 December 2011	3,683	13,175	137,121	153,979
Amortisation				
At 1 January 2010, previously stated	-	789	-	789
Effect of adoption of IC 12	-	-	6,553	6,553
At 1 January 2010, restated	-	789	6,553	7,342
Amortisation for the year	-	364	-	364
Effect of adoption of IC 12	-	-	2,936	2,936
At 31 December 2010 as restated/1 January 2011	-	1,153	9,489	10,642
Amortisation for the year	-	412	5,801	6,213
Effect of movements in exchange rates	-	-	2,064	2,064
At 31 December 2011	-	1,565	17,354	18,919
Carrying amounts				
At 1 January 2010, as restated	3,683	10,842	73,525	88,050
At 31 December 2010, as restated/1 January 2011	3,683	12,022	99,368	115,073
At 31 December 2011	3,683	11,610	119,767	135,060

4. Intangible assets (continued)

Included in concession intangible assets are capital work-in-progress relates to costs incurred to date in respect of the construction of water treatment plant in China amounting to RM2.4 million (2010: RM15 million) and are not depreciated.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the subsidiaries acquired which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The goodwill impairment test was based on value in use and was determined by the management.

Value in use was determined by assessing the subsidiaries' future budgets.

The value assigned to the key assumptions used in preparing the budgets represent management's assessment of future trends in the subsidiaries' principal activities and are based on internal sources (historical data).

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:

- Cash flows were projected based on past experience and actual operating results in both 2010 and 2011. Cash flows for the remaining concession period ranging from 24 - 41 year period were extrapolated using an average growth rate of 6 percent (2010: 6 percent). Management believes that this forecast period was justified due to the 30 and 50 years water concession rights of the subsidiaries in China.

- A pre-tax discount rate of 10 percent (2010: 10 percent) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the industry's borrowing rate.

The values assigned to the key assumptions represent management's assessment of future trends in the water industry and are based on internal sources (historical data).

The intangible assets of the Group comprised the water concession rights 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, Jiangsu Salcon Water & Environmental Development Company Limited, Yizheng Rong Xin Wastewater Treatment Company Limited and Changzhou Salcon Wastewater Treatment Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited.

Concession intangible assets comprises fair value of the consideration receivable for the construction service delivered during the stage of constructing, including a mark-up based on market rate on the costs incurred for constructing water treatment plant for subsidiaries in China, namely Linyi Salcon Water Company Limited and Shandong Changle Salcon Water Company Limited.

5. Prepaid lease payments

Group	Leasehold land Unexpired period less than 50 years RM'000
Cost	
At 1 January 2010, previously stated	26,556
Effect of adoption of IC 12	(26,556)
At 1 January 2010, restated	-
Additions	3,344
Effect of adoption of IC12	(1,566)
Effect of movements in exchange rates	(1,778)
At 31 December 2010, restated/1 January 2011/31 December 2011	-
Amortisation	
At 1 January 2010, previously stated	3,810
Effect of adoption of IC 12	(3,810)
At 1 January 2010, restated	-
Amortisation for the year	843
Effect of adoption of IC 12	(670)
Effect of movements in exchange rates	(173)
At 31 December 2010, restated/1 January 2011/31 December 2011	-
Carrying amounts	
At 1 January 2010, restated	-
At 31 December 2010, restated/1 January 2011/31 December 2011	-

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6. Investment properties

	Note	Group 2011 RM'000	Group 2010 RM'000
At 1 January		3,443	4,695
Acquisitions		3,791	54
Disposal		(1,602)	(558)
Transfer to assets held for sale	14	-	(653)
Change in fair value		(528)	(95)
At 31 December		5,104	3,443

Included in the above are:

	Group 2011 RM'000	Group 2010 RM'000
Freehold land	319	230
Freehold land and buildings	511	2,642
Leasehold land and buildings with unexpired lease period of more than 50 years	4,274	571
	5,104	3,443

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

	Group 2011 RM'000	Group 2010 RM'000
Rental income	41	57
Direct operating expenses:		
- income generating investment properties	10	23
- non-income generating investment properties	-	7

The titles to the freehold land and buildings and leasehold land and buildings with unexpired lease period of more than 50 years with carrying amount of RM528,000 (2010: RM528,000) and RM3,781,977 (2010: RM484,000) respectively are in the process of being transferred to the subsidiaries.

The Directors estimate the fair value of investment properties based on comparable market value of similar properties. Based on the Directors' estimation, the fair value of the investment properties approximates their carrying amounts at 31 December 2011 and 31 December 2010.

7. Investments in subsidiaries

	Company 2011 RM'000	Company 2010 RM'000
Unquoted shares, at cost	155,617	80,265
Unquoted preference shares, at cost	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)
	156,027	80,675

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	Effective ownership interest 2010
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%	100%
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%	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%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	2010
Salcon Capital Sdn. Bhd.	Malaysia	Investment holding company	100%	100%
Salcon Water International Pte. Ltd. ^	Singapore	Dormant	100%	100%
Salcon Power (HK) Limited (formerly known as Kingstone Enterprise Group Limited) +	Hong Kong	Dormant	100%	100%
Salcon Water (HK) Limited +	Hong Kong	Dormant	100%	100%
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd.	Malaysia	Marketing, sales and servicing of equipment for water and palm oil industries.	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%
Bumi Tiga Enterprise Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Salcon (Sarawak) 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%

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	2010
Subsidiaries of Salcon Engineering Berhad (continue):				
Salcon Corporation Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon (Perak) Sdn. Bhd. @	Malaysia	Dormant	40%	40%
Salcon Development Sdn. Bhd. (formerly known as Salcon Infrastructure Sdn. Bhd.)	Malaysia	Dormant	100%	100%
Glitteria Sdn. Bhd. @	Malaysia	Provision of engineering works	50%	50%
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 +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60%	100%

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	Effective ownership interest 2010
Subsidiaries of Salcon Water (Asia) Limited (continued):				
Salcon Linyi (HK) Limited +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60%	100%
Salcon Zhejiang (HK) Limited +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60%	100%
Salcon Shandong (HK) Limited +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	60%	100%
Salcon Services (HK) Limited +	Hong Kong	Investment holding company involved in investment advisory in the People's Republic of China via its subsidiary.	60%	100%
Subsidiary of Salcon Fujian (HK) Limited:				
Nan An Salcon Water Company Limited +	People's Republic of China	Design, build and operate of water transmission in Fujian Province.	39%	65%
Subsidiary of Salcon Linyi (HK) Limited:				
Linyi Salcon Water Company Limited +	People's Republic of China	Management and operation of water production and distribution of water in Linyi City.	36%	60%
Subsidiary of Linyi Salcon Water Company Limited:				
Linyi Runcheng Water Supply Project Company Limited +	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment.	36%	60%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	Effective ownership interest 2010
Subsidiary of Salcon Zhejiang (HK) Limited:				
Haining Salcon Water Company Limited +	People's Republic of China	Management and operation of water production and sale of water in Haining City, ZheJiang Province.	36%	60%
Subsidiary of Salcon Shandong (HK) Limited:				
Shandong Changle Salcon Water Company Limited +	People's Republic of China	Management and operation of water production and distribution of water in Changle County, Shandong Province.	60%	100%
Changle Salcon Raw Water Company Limited.+	People's Republic of China	Design, build and operate of water transmission in Changle County, Shandong Province.	60%	100%
Subsidiary of Salcon Services (HK) Limited:				
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	-	100%
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. +	People's Republic of China	Consultancy services for investment, operation and strategy business.	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%	67%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2011	Effective ownership interest 2010
Subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited:				
Yizheng Rong Xin Wastewater Treatment Company Limited +	People's Republic of China	Management and operation of wastewater treatment plant in Yizheng city.	67%	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%	-
Subsidiary of Salcon Power Sdn Bhd:				
Salcon Green Energy (UK) Ltd. #	United Kingdom	Renewal energy	100%	-
Subsidiary of Salcon Capital Sdn Bhd:				
Eco-Coach & Tours (M) Sdn. Bhd. (formerly known as Eco-Tours Sdn Bhd)	Malaysia	Transportation services	51.3%	-
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%	-

7. Investments in subsidiaries (continued)

\+ Audited by other member firms of KPMG International

^ Audited by other firm 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 investment in these companies.

The financial statements of these subsidiaries were not audited as the subsidiaries were acquired during the financial year and were not required to prepare audited financial statements as at 31 December 2011. Accordingly, these subsidiaries were consolidated based on management financial statements.

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

8. Investment in associate

	Group	
	2011	**2010**
	RM'000	**RM'000**
Unquoted shares, at cost	11,800	11,800
Unquoted preference shares, at cost	10,000	10,000
Share of post-acquisition profits	6,850	8,890
	28,650	30,690
	=====	=====

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

2011	**Country of incorporation**	**Effective ownership interest**	**Revenue (100%) RM'000**	**Profit (100%) RM'000**	**Total assets (100%) RM'000**	**Total liabilities (100%) RM'000**
EUC*	Malaysia	40%	22,405	7,229	50,291	1,302
			=====	=====	=====	=====
2010						
EUC*	Malaysia	40%	23,632	9,107	67,078	885
			=====	=====	=====	=====

* 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 entities are as follows:

	Principal activities	Proportion of ownership interest 2011	2010
WET - Envitech Joint Venture	Construction of sewage treatment plants, project management on sewage treatment plants and related activities.	50%	50%
Hydrotek - Salcon Joint Venture	Construction of Min Buri Water distribution pumping station.	49%	49%
Salcon - WHS Joint Venture	Undertaking projects in water development in the State of Sabah.	60%	60%

(i) 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.

(ii) a) The Group entered into a joint venture with Hydrotek Company Limited and S.P.K. Construction Company Limited, both companies incorporated in Thailand, on 17 December 2001. There was no share of results accrued during the financial year. The joint venture has remained dormant during the financial year.

b) The Group entered into a joint venture with Warisan Harta Sabah Sdn. Bhd., a company incorporated in Malaysia, on 31 January 2003. There was no share of results accrued during the financial year. The joint venture has remained dormant during the financial year.

There are no contingencies and commitments relating to the Group's interest in the jointly controlled entities.

10. Other investments

Group	Total	Unquoted shares	Other investment
2011	**RM'000**	**RM'000**	**RM'000**
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
2010			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86

Company	Total	Unquoted shares	Other investment
2011	**RM'000**	**RM'000**	**RM'000**
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
2010			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Property, plant and equipment	-	-	(761)	(520)	(761)	(520)
Provisions	179	590	-	-	179	590
Other items	-	-	(181)	(126)	(181)	(126)
Tax losses carry-forwards	2,781	2,397	-	-	2,781	2,397
Tax assets/(liabilities)	2,960	2,987	(942)	(646)	2,018	2,341
Set off of tax	(540)	(567)	540	567	-	-
Net tax assets/(liabilities)	2,420	2,420	(402)	(79)	2,018	2,341

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 RM11.1 million will not be available to the Group, resulting in a decrease in net deferred tax assets of RM2.8 million.

11. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Unabsorbed capital allowance	465	40	-	-
Unutilised tax losses	1,060	702	-	-
	1,525	742	-	-

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 there from.

Movement in temporary differences during the year

Group	At 1.1.2010 RM'000	Recognised in profit or loss (Note 24) RM'000	At 1.1.2011 RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2011 RM'000
Property, plant and equipment	(434)	(86)	(520)	(241)	(761)
Provisions	604	(14)	590	(411)	179
Other items	(126)	-	(126)	(55)	(181)
Tax losses carry-forwards	2,397	-	2,397	384	2,781
	2,441	(100)	2,341	(323)	2,018

12. Trade and other receivables, including derivatives

	Note	Group 31.12.2011 RM'000	Group 31.12.2010 RM'000 restated	Group 1.1.2010 RM'000 restated	Company 31.12.2011 RM'000	Company 31.12.2010 RM'000
Non-current						
Trade						
Receivables from concession arrangements		371,247	274,959	167,532	-	-
Non-trade						
Other receivables	12.1	5,308	-	-	-	-
		376,555	274,959	167,532	-	-
Current						
Trade						
Trade receivables		160,767	127,400	121,342	-	-
Less: Allowance for impairment losses		(20,868)	(23,553)	(23,669)	-	-
	12.2	139,899	103,847	97,673	-	-
Amount due from contract customers	12.3	77,933	112,931	147,686	-	-
		217,832	216,778	245,359	-	-
Non-trade						
Amount due from associate	12.4	5	1	146	-	-
Amount due from subsidiaries	12.5	-	-	-	179,390	230,434
Other receivables	12.6	47,734	48,943	32,600	-	-
Deposits	12.7	15,514	1,790	761	7,530	-
Prepayments		5,425	4,800	8,643	8	704
Financial assets at fair value through profit or loss:						
- Held for trading, including derivatives		93	92	-	-	-
		68,771	55,626	42,150	186,928	231,138
		286,603	272,404	287,509	186,928	231,138
		663,158	547,363	455,041	186,928	231,138

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

12.1 Other receivables (non-current)

During the current financial year, a subsidiary of the Company negotiated with a debtor to extend the settlement of outstanding debts by entering into debts settlement agreement. The non-current amount consisting of 8 years equal instalment to be repaid by cash and the amount is non-interest bearing and unsecured.

12.2 Included in trade receivables of the Group are retention sums amounting to RM24,630,000 (2010: RM13,956,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Within 1 year	2,992	100
1 - 2 years	8,286	3,473
2 - 3 years	4,035	4,774
3 - 4 years	2,315	932
4 - 5 years	7,002	4,677
	24,630	13,956

12.3 Amount due from contract customers

	Group	
	2011	**2010**
	RM'000	**RM'000**
Aggregate costs incurred to date	930,942	908,511
Add: Attributable profit	102,227	136,839
	1,033,169	1,045,350
Less: Progress billings	(976,244)	(947,689)
	56,925	97,661
Amount due to contract customers (Note 19)	21,008	15,270
Amount due from contract customers	77,933	112,931

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM9,538,000 (2010: RM6,862,000) and RM1,465,000 (2010: RM1,273,000) respectively.

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

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

12.5 The amount due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM123.2 million (2010: RM65 million) which bear interest ranging from 2% to 5.8% (2010: 5.20%) per annum.

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

i) RM14,896,000 (2010: RM15,700,000) being advance payments to sub-contractors/suppliers of subsidiaries which was paid in accordance with the terms of the contract.

ii) In 2010, RM4,456,000 being pre-commencement projects expenses incurred in new projects. These expenses have been charged out to profit or loss during the financial year.

iii) Allowance for impairment losses amounting to RM271,000 (2010: RM132,000).

iv) Advances paid to contractors in constructing the water treatment plants in China amounted to RM834,000 (2010: RM3.1 million).

v) Advances amounting to RM15.5 million (2010: RM14 million) paid to a joint venture partner of a subsidiary in arranging advance payment to the respective sub-contractors for construction of water transmission project.

12.7 Included in deposits of the Group and of the Company is a refundable deposit amounted to RM7,350,000 (2010: Nil) relating to deposit paid to Darco Water Technologies Limited ("Darco") for the proposed acquisition of 60% equity interest in Darco Environmental Pte. Ltd., a subsidiary of Darco.

13. Inventories

	Group	
	2011	**2010**
	RM'000	**RM'000**
At cost:		
Raw materials and consumables	2,927	4,886
Spares	13	535
	2,940	5,421

In 2011, inventories recognised as cost of sales amounted to RM8,089,000 (2010: RM6,111,000).

14. Assets classified as held for sale

	Note	Group RM'000
Assets classified as held for sale		
At 1 January 2010		1,130
Transfer from investment properties	6	653
Disposal		(1,130)
At 31 December 2010/1 January 2011		653
Disposal		(653)
At 31 December 2011		-

During the current financial year, the Company disposed the investment properties for a total consideration of RM653,000 to a third party.

15. Cash and cash equivalents

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits placed with licensed banks				
- Malaysia	110,053	37,684	-	-
- Outside Malaysia	21,664	51,079	-	-
	131,717	88,763	-	-
Cash and bank balances				
- Malaysia	25,371	18,118	9,665	2,289
- Outside Malaysia	57,443	38,349	-	-
	82,814	56,467	9,665	2,289
	214,531	145,230	9,665	2,289

Included in the cash and bank balances in 2011 is RM4,402,400 (2010: RM2,201,200) placed in a debts service reserve account with restricted withdrawal of fund.

15. Cash and cash equivalents (continued)

The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia (RM)	135,194	45,764	9,596	2,289
Renminbi (RMB)	65,846	87,992	-	-
U.S. Dollar (USD)	10,333	5,485	69	-
Japanese Yen (JPY)	10	23	-	-
Vietnamese Dong (VND)	340	1,848	-	-
Sri Lanka Rupee (LKR)	1,528	2,901	-	-
Thai Baht (THB)	46	69	-	-
Hong Kong Dollar (HKD)	1,066	27	-	-
Euro (EUR)	24	990	-	-
Indonesian Rupiah (IDR)	5	8	-	-
Pound Sterling (GBP)	49	-	-	-
Indian Rupees (Rs)	90	123	-	-
	214,531	145,230	9,665	2,289

16. Capital and reserves

Share capital

	Group and Company			
	Amount 2011 RM'000	Number of shares 2011 '000	Amount 2010 RM'000	Number of shares 2010 '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	236,774	473,548	233,860	467,720
Issue of shares under Employees Share Option Scheme	380	760	2,914	5,828
At 31 December	237,154	474,308	236,774	473,548

16. Capital and reserves (continued)

Share capital (continued)

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 effected 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 RM.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

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 18.

Section 108 tax credit

In 2009, the Company has chosen to frank dividends under the single tier company income tax system. As such, the remaining Section 108 tax credit of the Company is no longer available to the Company.

17. Loans and borrowings

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current				
Finance lease liabilities	14,571	2,276	-	-
Term loans (unsecured)	38,000	38,000	38,000	38,000
	52,571	40,276	38,000	38,000
Current				
Bank overdrafts (unsecured)	1,503	3,629	-	-
Bankers' acceptances (unsecured)	-	1,726	-	-
Revolving credits (unsecured)	3,564	4,444	-	-
Term loans (unsecured)	240,945	184,585	12,500	8,000
Finance lease liabilities	4,602	1,527	-	-
	250,614	195,911	12,500	8,000

Included in unsecured term loans of the Group is RM16,483,000 (2010: RM16,875,000) being term loan obtained from Linyi Municipal Government which bear interest at rate of 2.55% (2010: 2.55%) per annum.

The loans and borrowings of the Group amounting to RM190,992,000 (2010: RM155,606,000) is reflected as current despite having repayment terms of more than 1 year. The loans are classified as current liabilities as these loan agreements of the subsidiaries included a callable clause that permits the banks to demand for immediate repayment, notwithstanding that there may be no event of default. The repayment terms are as follows:

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17. Loans and borrowings (continued)

17.1 Terms and debts repayment schedule

Group 2011	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Bank overdrafts	2012	1,503	1,503	-	-	-
Revolving credits						
- RMB	2012	3,564	3,564	-	-	-
Term loans						
- RM	2012-2015	50,500	12,500	17,000	21,000	-
- RMB	2012-2020	228,445	37,453	48,779	65,754	76,459
Finance lease liabilities	2012-2016	19,173	4,602	4,152	10,419	-
		303,185	59,622	69,931	97,173	76,459

Group 2010	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Bank overdrafts	2011	3,629	3,629	-	-	-
Bankers' acceptances	2011	1,726	1,726	-	-	-
Revolving credits						
- RM	2011	1,000	1,000	-	-	-
- RMB	2011	3,444	3,444	-	-	-
Term loans						
- RM	2011 - 2016	46,000	8,000	8,000	30,000	-
- RMB	2011 - 2016	176,585	20,979	29,172	79,256	47,178
Finance lease liabilities	2011 - 2015	3,803	1,527	1,266	1,010	-
		236,187	40,305	38,438	110,266	47,178

Company	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2011						
Term loan						
- RM	2012 – 2015	50,500	12,500	17,000	21,000	-
2010						
Term loan						
- RM	2011 - 2016	46,000	8,000	8,000	30,000	-

17. Loans and borrowings (continued)

17.2 Security

All of the facilities granted to the subsidiaries are guaranteed by the Company.

17.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2011 RM'000	Interest 2011 RM'000	Present value of minimum lease payments 2011 RM'000	Future minimum lease payments 2010 RM'000	Interest 2010 RM'000	Present value of minimum lease payments 2010 RM'000
Less than one year	5,680	(1,078)	4,602	1,701	(174)	1,527
Between one and five years	16,302	(1,731)	14,571	2,410	(134)	2,276
	21,982	(2,809)	19,173	4,111	(308)	3,803

18. 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.

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 instruments '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 employees on 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
Total share options	33,146		

18. Employee benefits (continued)

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

	Weighted average exercise price RM	Group and Company 2011 '000	2010 '000
Outstanding at 1 January	0.57	24,430	-
Granted during the year	0.52	1,647	31,499
Lapsed during the year	0.57	(3,662)	(1,241)
Exercised during the year	0.57	(760)	(5,828)
Outstanding at 31 December	0.57	21,655	24,430

The options outstanding at 31 December 2011 have an exercise price in the range of RM0.52 to RM0.57 (2010: RM0.57) and a weighted average contractual life of 4 years (2010: 5 years).

During the year, 759,500 (2010: 5,827,500) share options were exercise. The weighted average share price at the date of exercise for the year was RM0.57.

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:

Fair value of share options and assumptions	2011	2010
Fair value at grant date	RM0.12	RM0.17
Weighted average share price	RM0.56	RM0.64
Exercise price	RM0.52	RM0.57
Expected volatility (weighted average volatility)	1.98%	3.24%
Option life (expected weighted average life)	4 years	5 years
Risk-free interest rate (based on Malaysian government bonds)	4.26%	3.96%

Value of employee services received for issue of share options

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Expenses recognised as share-based payments	1,698	1,749	230	322

19. Trade and other payables, including derivatives

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Trade					
Trade payables	19.1	92,114	91,990	-	-
Amount due to contract customers (Note 12)		21,008	15,270	-	-
		113,122	107,260	-	-
Non-trade					
Amount due to associate	19.2	2	1	-	-
Amount due to subsidiaries	19.3	-	-	8,368	8,132
Other payables	19.4	97,701	82,156	589	739
Accrued expenses		2,049	849	180	59
Deferred income	19.5	14,904	15,501	-	-
Financial liabilities at fair value through profit or loss:					
- Held for trading, including derivatives		(10)	(248)	-	-
		114,646	98,259	9,137	8,930
		227,768	205,519	9,137	8,930

19.1 Trade payables/other payables denominated in currencies other than the functional currencies of the Group comprise:

Currencies	**2011 RM'000**	**2010 RM'000**
Sri Lanka Rupee (LKR)	10,190	14,925
Vietnamese Dong (VND)	7,029	2,077
Australia Dollar (AUD)	-	1,342
China Reminbi (RMB)	21,073	24,446
Swedish Kronor (SEK)	173	-
Thai Baht (THB)	659	645
U.S. Dollar (USD)	17	15
Euro (EUR)	1,998	7,335
Japanese Yen (JPY)	25,870	23,758

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

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

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

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

i) RM26.9 million (2010: RM19.5 million) being amount payable to the Linyi Municipal Government for the acquisition of water related assets.

ii) Advances received from contract customers amounting to RM43.4 million (2010: RM40.6 million) being mobilisation costs received in advance in accordance with terms of the contracts.

iii) Dividend payable by a subsidiary to non-controlling interest of RM559,000 (2010: RM280,000).

19.5 The deferred income relates to government grant received from the Government of China amounting to RM14.9 million (2010: RM15.5 million) for the water concession investment in China. The amount will be recognised in profit or loss over the remaining concession period of 25 years.

20. Revenue

	Group		**Company**	
	2011 RM'000	**2010 RM'000 restated**	**2011 RM'000**	**2010 RM'000**
Sales	29,562	76,572	-	-
Services	9,724	1,179	-	-
Construction	341,774	405,725	-	-
Operating concession revenue	91,402	66,403	-	-
Dividends	-	-	617	37,541
	472,462	549,879	617	37,541

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21. Profit for the year

	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Profit for the year is arrived at after charging:				
Allowance for impairment losses				
- Trade receivables	277	1,013	-	-
- Other receivables	139	-	-	-
Amortisation of concession intangible assets	5,801	2,936		
Amortisation of intangible assets	412	364	-	-
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	220	206	50	40
Overseas affiliates of KPMG Malaysia	537	-	-	-
Other auditors	26	162	-	-
- Non-audit fees				
KPMG Malaysia	42	25	-	-
Bad debt written off	10	-	-	-
Depreciation of property, plant and equipment	2,912	2,046	-	-
Change in fair value of investment properties	528	95	-	-
Loss on disposal of investment properties	100	40	-	-
Loss on disposal of property, plant and equipment	46	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,857	2,072	357	253
- Share-based payments	1,698	1,749	230	322
- Wages, salaries and others	44,385	32,686	3,075	2,650
Property, plant and equipment written off	12	7	-	-
Realised loss on foreign exchange	1,053	-	-	-
Rental of expense in respect of:				
- Equipment	13	10	-	-
- Premises	844	1,023	-	-
Unrealised loss on foreign exchange	912	-	236	13,388
	=====	====	=====	=====

21. Profit for the year (continued)

	Group		Company	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000
and after crediting:				
Allowance for impairment losses no longer required - Trade receivables	2,925	325	-	-
Amortisation of government grant	605	-	-	-
Dividend income from subsidiaries (unquoted)	-	-	617	37,541
Gain on bargain purchase	21	-	-	-
Gain on disposal of equity interest	-	-	41,747	-
Gain on disposal of property, plant and equipment	53	5,922	-	-
Gain on disposal of assets classified as held for sale	-	40	-	-
Finance income:				
- Subsidiaries	-	-	2,658	1,405
- Others	2,536	1,059	42	-
- Concession receivables	9,220	4,599	-	-
Realised gain on foreign exchange	263	2,082	-	-
Rental income on premises	228	1,023	-	-
Rental income on investment properties	41	57	-	-
Unrealised gain on foreign exchange	969	218	2,626	-
	=====	=====	=====	=====

22. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors of the Company:				
- Fees	168	136	168	136
- Remuneration	3,667	4,147	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	137	296	-	-
- Share-based payments	-	555	-	150
	3,972	5,134	168	286
	=====	=====	=====	=====

23. Finance costs

	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Finance costs on:				
- Bank overdraft	62	93	-	-
- Loans	15,976	8,392	2,792	796
- Other borrowings	423	525	-	-
	16,461	9,010	2,792	796
Less: Capitalised on qualifying assets:				
- Concession intangible assets	(1,327)	(2,263)	-	-
	15,134	6,747	2,792	796

24. Income tax

Recognised in the profit or loss

	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Income tax expense/(credit)	3,698	8,602	(436)	9,441
Current tax expense				
Malaysian - current year	3,222	4,322	253	9,446
- prior year	(1,188)	(195)	(689)	(5)
Overseas - current year	2,224	4,375	-	-
- prior year	(883)	-	-	-
Total current tax expense/(credit)	3,375	8,502	(436)	9,441
Deferred tax expense				
Origination and reversal of temporary differences	47	100	-	-
Under provision in prior years	276	-	-	-
Total deferred tax expense	323	100	-	-
Total income tax expense/(credit)	3,698	8,602	(436)	9,441

24. Income tax (continued)

Reconciliation of effective tax expense

	Group 2011 RM'000	Group 2010 RM'000 restated	Company 2011 RM'000	Company 2010 RM'000
Profit for the year	25,355	35,462	39,328	9,476
Total income tax expense/(credit)	3,698	8,602	(436)	9,441
Profit excluding tax	29,053	44,064	38,892	18,917
Income tax calculated using Malaysian tax rate of 25% (2010: 25%)	7,263	11,016	9,723	4,729
Effect of tax rates in foreign jurisdiction	(6,255)	(4,688)	-	-
Non-deductible expenses	11,240	5,115	57	4,866
Tax exempt income	(9,530)	(1,735)	(9,250)	(149)
Other items	2,775	(911)	(277)	-
	5,493	8,797	253	9,446
Over provision in prior years	(1,795)	(195)	(689)	(5)
	3,698	8,602	(436)	9,441

The subsidiaries operating in the People's Republic of China ("China") are entitled for a full tax exemption on profits for the first three years in operations and half tax exemption thereafter for the next two years.

25. Other comprehensive income/(expenses)

Group 2011	**Before tax RM'000**	**Tax RM'000**	**Net of tax RM'000**
Foreign currency translation differences for foreign operations			
- Gains arising during the year	26,155	-	26,155
2010			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(17,047)	-	(17,047)

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26. Earnings per ordinary share - Group

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to owners of the Company of RM14,645,000 (2010: RM26,793,000(restated)) and the weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2011 ’000	**2010 ’000 restated**
Issued ordinary shares at 1 January	473,548	467,720
Effect of shares issued	648	657
Weighted average number of ordinary shares at 31 December	474,196	468,377

	2011 sen	**2010 sen restated**
Basic earnings per share	3.09	5.72

Diluted earnings per share

	2011 ’000	**2010 ’000 restated**
Issued ordinary shares at 1 January	473,548	467,720
Effect of shares issued	648	657
Weighted average number of ordinary shares at 31 December	474,196	468,377
Effect of share options in issue	23,462	20,103
Weighted average number of ordinary shares (diluted) at 31 December	497,658	488,480

	2011 sen	**2010 sen restated**
Diluted earnings per share	2.94	5.48

27. Dividends

Dividends recognised in the current year by the Company are:

2011	**Sen per share**	**Total amount RM'000**	**Date of payment**
Final 2010 ordinary (single tier)	1.50	7,115	22 July 2011
Total amount		7,115	
2010			
Final 2009 ordinary (single tier)	1.50	7,015	23 July 2010
Total amount		7,015	

After the reporting period, the following 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
Final ordinary (single tier)	1.5

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.

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

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.

28. Operating segments (continued)

	Constructions 2011 RM'000	Concessions 2011 RM'000	Trading 2011 RM'000	Total 2011 RM'000
Segment profit	22,863	31,542	1,502	55,907
Included in the measure of segment profit are:				
Revenue from external customers	265,627	193,408	13,427	472,462
Impairment of investment properties	(528)	-	-	(528)
Share of profit of associate	-	2,892	-	2,892
Not included in the measure of segment profit but provided to Chief Operating Officer:				
Depreciation and amortisation	(1,418)	(6,940)	(767)	(9,125)
Finance costs	(2,905)	(11,879)	(350)	(15,134)
Finance income	1,505	10,238	13	11,756
Income tax expense	(2,100)	(1,207)	(391)	(3,698)
Segment assets	51,656	1,001,835	28,017	1,081,508
Included in the measure of segment assets are:				
Investment in associate	-	28,650	-	28,650
Additions to non-current assets other than financial instruments and deferred tax assets	703	22,494	21,708	44,905

28. Operating segments (continued)

	Constructions 2010 RM'000 restated	Concessions 2010 RM'000 restated	Trading 2010 RM'000 restated	Total 2010 RM'000 restated
Segment profit	20,171	32,936	12,826	65,933
Included in the measure of segment profit are:				
Revenue from external customers	272,917	224,191	52,771	549,879
Share of profit of associate	-	3,643	-	3,643
Not included in the measure of segment profit but provided to Chief Executive Officer:				
Depreciation and amortisation	(1,382)	(3,802)	(162)	(5,346)
Finance costs	(1,399)	(5,094)	(254)	(6,747)
Finance income	582	5,074	2	5,658
Income tax expense	(3,793)	(3,052)	(1,757)	(8,602)
Segment assets	303,722	539,259	16,008	858,989
Included in the measure of segment assets are:				
Investment in associate	-	30,690	-	30,690
Additions to non-current assets other than financial instruments and deferred tax assets	2,199	31,224	2	33,425

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28. Operating segments (continued)

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

	2011 RM'000	2010 RM'000 restated
Profit		
Total profit or loss for reportable segments	55,907	65,933
Depreciation and amortisation	(9,125)	(5,346)
Finance costs	(15,134)	(6,747)
Finance income	11,756	5,658
Unallocated expenses:		
Corporate expenses	(14,351)	(15,434)
Consolidated profit before tax	29,053	44,064

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 2011 RM'000	Non current assets 2011 RM'000	Revenue 2010 RM'000 restated	Non-current assets 2010 RM'000 restated
Malaysia	288,626	37,577	273,046	23,250
China	166,859	507,910	198,122	378,625
Sri Lanka	20,066	-	48,997	-
Vietnam	(3,303)	-	28,960	-
Other countries	214	160	754	153
	472,462	545,647	549,879	402,028

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
2011				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	657,733	657,640	-	93
Cash and cash equivalents	214,531	214,531	-	-
	872,350	872,171	86	93
Company				
Trade and other receivables	186,920	186,920	-	-
Cash and cash equivalents	9,665	9,665	-	-
	196,585	196,585	-	-
Financial liabilities				
Group				
Loans and borrowings	(303,185)	(303,185)	-	-
Trade and other payables, including derivatives	(227,768)	(227,778)	-	10
	(530,953)	(530,963)	-	10
Company				
Loans and borrowings	(50,500)	(50,500)	-	-
Trade and other payables	(9,137)	(9,137)	-	-
	(59,637)	(59,637)	-	-

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
2010				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	542,563	542,471	-	92
Cash and cash equivalents	145,230	145,230	-	-
	687,879	687,701	86	92
Company				
Trade and other receivables	230,434	230,434	-	-
Cash and cash equivalents	2,289	2,289	-	-
	232,723	232,723	-	-
Financial liabilities				
Group				
Loans and borrowings	(236,187)	(236,187)	-	-
Trade and other payables, including derivatives	(205,519)	(205,767)	-	248
	(441,706)	(441,954)	-	248
Company				
Loans and borrowings	(46,000)	(46,000)	-	-
Trade and other payables	(8,930)	(8,930)	-	-
	(54,930)	(54,930)	-	-

29. Financial instruments (continued)

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2011 RM'000	2010 RM'000 restated	2011 RM'000	2010 RM'000
Net gains/(losses) arising on:				
Loans and receivables	13,522	7,270	5,090	(10,263)
Financial liabilities measured at amortised cost	(15,134)	(6,747)	(2,792)	(796)
	(1,612)	523	2,298	(11,059)

29.3 Financial risk management

The Group has 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 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.

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	
	2011 RM'000	**2010 RM'000 restated**
Domestic	145,804	141,158
Sri Lanka	18,601	28,175
Vietnam	46,677	49,130
China	443,199	322,920
Others	3,452	1,180
	657,733	542,563

At date of statement of financial position, there were no significant concentrations of credit risk except for ten (2010: six) major project debts which accounted for 59% (2010: 69%) of net trade receivables. The Group would normally require advance payments to be paid for these projects and after taking into account advances received from these major project debts, net concentrations of credit risk amount to approximately 42% (2010: 53%) of net trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group and the Company are highly dependent on the domestic and overseas water and waste water industries.

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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:

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2011				
Not past due	128,744	-	-	128,744
Past due 0 - 30 days	18,519	-	-	18,519
Past due 31 - 120 days	18,768	-	-	18,768
Past due more than 120 days	72,669	(20,868)	-	51,801
	238,700	(20,868)	-	217,832
2010				
Not past due	152,854	-	-	152,854
Past due 0 - 30 days	11,150	-	-	11,150
Past due 31 - 120 days	15,519	-	-	15,519
Past due more than 120 days	60,808	(23,553)	-	37,255
	240,331	(23,553)	-	216,778

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

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

	2011 RM'000	2010 RM'000
At 1 January	(23,553)	(23,669)
Impairment loss recognised	(277)	(1,013)
Impairment loss reversed	2,925	325
Impairment loss written off	37	804
At 31 December	(20,868)	(23,553)

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

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 RM123,365,000 (2010: RM93,975,000) and RM595,029,000 (2010: RM533,213,000) representing the outstanding amount and the gross 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 repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was 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 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 will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group 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.

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:

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 - 2 years	2 - 5 years	More than 5 years
Group	**RM'000**		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2011							
Non-derivative financial liabilities							
Unsecured bank facilities	282,509	2.90% to 7.94%	332,127	69,847	68,949	114,441	78,890
Bank overdraft	1,503	7.60% to 8.35%	1,503	1,503	-	-	-
Finance lease liabilities	19,173	3.00% to 3.45%	21,982	5,680	4,955	11,347	-
Trade and other payables	227,778	-	227,778	227,778	-	-	-
	530,963		583,390	304,808	73,904	125,788	78,890
Company							
2011							
Non-derivative financial liabilities							
Unsecured bank facility	50,500	5.80%	55,561	15,067	18,711	21,783	-
Trade and other payables	9,137	-	9,137	9,137	-	-	-
	59,637		64,698	24,204	18,711	21,783	-

29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis

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
2010							
Non-derivative financial liabilities							
Unsecured bank facilities	228,755	2.25% to 5.50%	279,118	43,884	48,331	129,184	57,719
Bank overdraft	3,629	6.55% to 8.05%	3,629	3,629	-	-	-
Finance lease liabilities	3,803	2.25% to 3.77%	4,111	1,700	1,357	1,054	-
Trade and other payables	205,767	-	205,767	205,767	-	-	-
	441,954		492,625	254,980	49,688	130,238	57,719
Company							
2010							
Non-derivative financial liabilities							
Unsecured bank facility	46,000	5.20% to 5.50%	48,530	8,440	8,440	31,650	-
Trade and other payables	8,930	-	8,930	8,930	-	-	-
	54,930		57,460	17,370	8,440	31,650	-

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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 currency.

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					
Group	**AUD RM'000**	**EUR RM'000**	**USD RM'000**	**JPY RM'000**	**VND RM'000**	**LKR RM'000**
2011						
Trade receivables	-	2,834	2,821	5,175	5,522	985
Cash and cash equivalents	-	24	10,333	10	340	1,528
Trade payables and other payables	-	(1,998)	(17)	(25,870)	(7,029)	(10,190)
Forward exchange contracts	9	4	12	77	-	-
Amount due from contract customers	-	-	-	5,326	-	-
Net exposure	9	864	13,149	(15,282)	(1,167)	(7,677)

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Group	AUD	EUR	USD	JPY	VND	LKR
	Denominated in					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2010						
Trade receivables	-	14	3,071	4,660	2,153	3,290
Cash and cash equivalents	-	990	5,485	23	1,848	2,901
Trade payables and other payables	-	(7,335)	(15)	(23,758)	(2,077)	(14,925)
Forward exchange contracts	248	305	-	(213)	-	-
Amount due from contract customers	-	-	-	9,580	-	-
Net exposure	248	(6,026)	8,541	(9,708)	1,924	(8,734)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have a following functional currency.

A 10 percent strengthening of the above 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 2011 RM'000	Equity 2010 RM'000	Profit or loss 2011 RM'000	Profit or loss 2010 RM'000
(786)	(1,032)	(1,049)	(1,376)

A 10 percent weakening of the above currencies against RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, 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'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	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Fixed rate instruments				
Financial assets	131,717	88,763	-	-
Financial liabilities	19,173	3,803	-	-
	======	======	======	======
Floating rate instruments				
Financial liabilities	284,012	232,384	50,500	46,000
	======	======	======	======

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**
2011				
Floating rate instruments	(2,242)	2,242	(332)	332
	=====	=====	=====	=====
2010				
Floating rate instruments	(2,324)	2,324	(460)	460
	=====	=====	=====	=====

29.7 Fair value of financial instruments

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.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Forward exchange contracts:				
Assets	93	93	92	92
Liabilities	10	10	248	248
Unsecured bank loans	278,945	264,466	228,755	211,741
Finance lease liabilities	19,173	17,448	3,803	3,644
	======	======	======	======
Company				
Unsecured bank loans	50,500	49,162	46,000	38,514
	=====	=====	=====	=====

29. Financial instruments (continued)

29.7 Fair value of financial instruments (continued)

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value 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).

29.7.1 Fair value hierarchy

Comparative figures have not been presented for 31 December 2010 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2011				
Financial assets				
Forward exchange contracts	-	93	-	93
	=====	=====	=====	=====
Financial liabilities				
Forward exchange contracts	-	10	-	10
	=====	=====	=====	=====

30. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor 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 and regulatory requirements.

The debt-to-equity ratios at 31 December 2011 and at 31 December 2010 were as follows:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Total borrowings (Note 17)	303,185	236,187
Less: Cash and cash equivalents (Note 15)	(214,531)	(145,230)
Net debt	88,654	90,957
Total equity	548,430	412,467
Debt-to-equity ratio	0.16	0.22

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 maximum debt-to-equity ratio of 1.25 to comply with a bank covenant, failing which, the bank may call an event of default.

31. Contingencies (unsecured)

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	595,029	533,213
Bank guarantee given to third parties relating to performance, tender and advance payment bonds - unsecured	115,401	163,180	-	-
Guarantees given in favour of third parties - 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 if the Group has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

The Group has a related party relationship 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 22.

32. Related parties (continued)

Significant transactions with subsidiaries

Company	**Transaction value year ended 31 December 2011 RM'000**	**2010 RM'000**
Interest income	2,658	1,405
Advance to subsidiaries	123,188	65,002
	======	======

The outstanding balances due from subsidiaries are disclosed in Note 12.

33. Capital and other commitments

	2011 RM'000	**2010 RM'000**
Capital expenditure commitments		
Infrastructure assets		
Contracted but not provided for	116,621	154,329
	======	======
Guaranteed minimum gross rental		
Contracted but not provided for in the financial statements	-	894
	======	=====

34. Acquisition of subsidiaries

Business combination

(i) On 14 January 2011, Salcon Capital Sdn. Bhd., a wholly-owned subsidiary of the Company entered into a Shares Subscription Agreement with Eco-Coach & Tours (M) Sdn. Bhd. ("Eco") (formerly known as Eco-Tours Sdn. Bhd.) and Eco-NGT Sdn. Bhd. ("Eco-NGT"), both companies incorporated in Malaysia, ("Existing Sole Shareholder of Eco") to subscribe for 1,026,000 new ordinary shares of RM1.00 each in the issued and paid-up share capital of Eco which represents 51.3% of the paid-up share capital of Eco comprising 2,000,000 ordinary shares of RM1.00 each.

34. Acquisition of subsidiaries (continued)

Business combination (continued)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred	**RM'000**
Issuance of new ordinary share of RM1 each	1,026
	=====

	Note	**RM'000**
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	150
Trade and other receivables		1,343
Cash and cash equivalents		1
Trade and other payables		(221)
Current tax liabilities		(258)
Total identifiable net assets		1,015
		======
Net cash arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		(1,026)
Cash and cash equivalents acquired		1
		(1,025)
		======

Gain on bargain purchase

Gain on bargain purchase was recognised as a result of the acquisition as follows:

	RM'000
Total consideration transferred	1,026
Fair value of existing interest in acquiree	(1,026)
Fair value of net identifiable assets	(1,015)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	994
	(21)
	======

34. Acquisition of subsidiaries (continued)

Business combination (continued)

(ii) On 20 April 2011, Salcon Changzhou (HK) Limited ("SCHK"), a wholly-owned subsidiary of the Company had incorporated Changzhou Salcon Wastewater Treatment Company Limited in People's Republic of China, following the execution of Concession Agreement between SCHK and Changzhou City Tian Ning District Diao Zhuang Street Office and the execution of Asset Transfer Agreement between SCHK and Changzhou Southeast Industrial Wastewater Treatment Plant, Changzhou Salcon Wastewater Treatment Company Limited

Fair value of consideration transferred	**RM'000**
Cash and cash equivalents	15,097
	=====

	RM'000
Identifiable assets acquired and liabilities assumed	
Receivables from concession arrangements	27,882
Trade and other receivables	527
Trade and other payables	(13,312)
Total identifiable net assets	15,097
	======
Net cash arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	(15,097)
	======

Pre-acquisition carrying amounts were determined based on applicable FRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

(iii) On 15 September 2011, Salcon Power Sdn Bhd, a wholly-owned subsidiary of Salcon Engineering Berhad, acquired 10,000 ordinary shares of £1.00 representing 100% equity interest in Salcon Green Energy (UK) Ltd.. The acquisition has no material impact on the earnings and net assets of the Group for the year.

35. Disposal of equity interest

During the year, Salcon Water (Asia) Limited increased its share capital by 315.62 million ordinary shares of HK$ 1.00 each at nominal value per share, equivalent to RM124 million by way of capitalisation of amount owing to the Company.

Subsequently, on 28 February 2011, the Company disposed of 40% equity interest in Salcon Water (Asia) Limited to Challenger Emerging Market Infrastructure Fund Pte. Ltd. for a total cash consideration of RM92 million. As a result, the Company ownership in Salcon Water (Asia) Limited decreased from 100% to 60%.

Details of the share of net assets disposed are as follows:

	RM'000
Net cash inflows	91,981
Non-controlling interests	(50,234)
Gain on disposal of equity interest	41,747

The amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transaction will no longer give rise to a gain or loss.

36. Subsequent events

(i) On 8 March 2012, Salcon Engineering Berhad, a wholly-owned subsidiary of the Company acquired 2 ordinary shares of RM1.00 each, representing 100% equity interest in Tanjung Jutaria Sdn Bhd ("Tanjung"), a shelf company incorporated in Malaysia for a total consideration of RM2.00. Subsequent to the acquisition, Tanjung shall be a wholly-owned subsidiary of Salcon Engineering Berhad, which in turn is a wholly-owned subsidiary of the Company.

(ii) On 20 March 2012, the Company has completed the private placement with the issuing of 47,430,780 new ordinary shares of RM0.50 each, representing up to 10% of the issued and paid-up share capital of the Company.

(iii) On 28 March 2012, Salcon Development Sdn Bhd, a wholly-owned subsidiary of the Company, entered into several Share Sale Agreements with Wong Yoon Kim, Png Chiew Chuan and Mepro Holdings Berhad to acquire 500,001 ordinary shares of RM1.00 each, representing 50% plus one (1) share of the issued and paid up share capital of Azitin Venture Sdn Bhd ("AVSB") which is comprising 1,000,000 ordinary shares of RM1.00 each. AVSB is a property development company and is a legal and registered owner of two parcels of leasehold land.

37. Significant changes in accounting policy

IC Interpretation 12, Service Concession Arrangements

The Group has adopted IC Interpretation 12, Service Concession Arrangements ("IC 12") which is effective from 1 July 2010. IC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. Depending on the contractual terms, this interpretation requires the operator to recognise a financial asset if it has an unconditional contractor right to receive cash or an intangible asset if it receives a right (license) to charge users of the public service. Some contractual terms may give rise to both a financial asset and an intangible asset.

For financial asset model, the amount due from grantor is accounted as receivable under FRS 139, and requires interest calculated using the effective interest method to be recognised in profit or loss. Intangible asset with a finite useful life shall be amortised on a systematic basis over its concession period.

This change in accounting policy was applied retrospectively. The following table summarises the transitional adjustments made to the financial statements upon implementation of the new accounting policy:

	Group Increase/(Decrease)	
	31.12.2010 RM'000	**1.1.2010 RM'000**
Statements of financial position		
Property, plant and equipment	(332,236)	(206,797)
Concessions intangible assets	99,368	73,525
Receivables from concession arrangements	274,959	167,532
Prepaid lease payments	(23,642)	(22,746)
Retained earnings	13,633	7,985
Non-controlling interests	4,816	3,529
	=====	=====
Statements of comprehensive income		
Revenue	131,719	-
Cost of sales	127,914	-
Finance income	4,599	-
Finance costs	1,469	-
	=====	=====

38. Comparative figures

IC Interpretation 12, Service Concession Arrangements

Following the adoption of the IC Interpretation 12, certain comparatives have been restated as follows:

	Group			
	31.12.2010		1.1.2010	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Statements of financial position				
Property, plant and equipment	8,467	340,703	21,322	228,119
Concession intangible assets	99,368	-	73,525	-
Receivables from concession arrangements	274,959	-	167,532	-
Prepaid lease payments	-	23,642	-	22,746
Retained earnings	35,466	21,833	14,449	6,464
Non-controlling interests	89,362	84,546	75,229	71,700
	=====	=====	=====	=====

	31.12.2010	
	As Restated RM'000	As Previously stated RM'000
Statements of comprehensive income		
Revenue	549,879	418,160
Cost of sales	(472,360)	(344,446)
Finance income	5,658	1,059
Finance costs	(6,747)	(5,278)
	=====	=====

39. 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 400,000 share options in the Company pursuant to the ESOS granted in 2010 are as follows:

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2011	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2011**
Chern Meng Gaik	530,000	-	(80,000)	-	450,000
Law Woo Hock	400,000	-	-	-	400,000
Loh Boon Sue	600,000	-	(200,000)	(400,000)	-
Tey Thiam Huat	600,000	-	-	-	600,000
Jamiluddin Amini Bin Sulaiman	626,000	-	-	-	626,000
Ong Sian	500,000	-	(100,000)	-	400,000
Lee Thim Loy	550,000	-	-	-	550,000
Low Beng Peow	550,000	-	-	-	550,000

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 120,000 share options for the new options granted in 2011 in the Company pursuant to the ESOS are as follows:

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2011	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2011**
Thye Chee How	-	210,000	-	-	210,000
Lee Yih Yeong	-	210,000	-	-	210,000
Tan Ghim Huat	-	360,000	-	-	360,000
Teh Wah Kum	-	180,000	-	-	180,000
Termizi Bin Abu Bakar	-	120,000	-	-	120,000

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	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries				
- realised	108,811	56,617	(7,180)	(23,614)
- unrealised	2,075	2,617	2,391	(13,388)
	110,886	59,234	(4,789)	(37,002)
Share of retained earnings of associates				
- realised	6,850	8,890	-	-
Share of retained earnings of jointly controlled entities				
- realised	1,496	1,496	-	-
	119,232	69,620	(4,789)	(37,002)
Less: Consolidation adjustments	(34,489)	(34,154)	-	-
Total retained earnings	84,743	35,466	(4,789)	(37,002)

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 115 are drawn up in accordance with Financial Reporting Standards and 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 2011 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 116 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: 24 April 2012

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 116 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 24 April 2012.

………………………………..
Law Woo Hock

Before me:

K Nermala
(W 378)
Commissioner for Oaths
Kuala Lumpur

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 2011 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 115.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 have been properly drawn up in accordance with Financial Reporting Standards and 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 of 31 December 2011 and of their financial performance and cash flows for the year then ended.

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 (other than a qualification that is not material in relation to the consolidated accounts) 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 116 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 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: 1745/12/13(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 24 April 2012