Salcon Berhad

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

and its subsidiaries

Financial statements for the year ended 31 December 2012

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

Directors' report for the year ended 31 December 2012

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 2012.

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	11,282	5,901
Non-controlling interests	20,180	-
	31,462	5,901

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 RM7,826,000 in respect of the financial year ended 31 December 2011 on 20 July 2012.

The first and final single tier dividend of 1 sen per ordinary share totalling RM5,217,000 recommended by the Directors in respect of the financial year ended 31 December 2012, is subject to the approval of the owners of the Company at the forthcoming Annual General Meeting.

Company No. 593796-T

Directors of the Company

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

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

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	26,796,400	-	-	26,796,400
Dato' Leong Kok Wah	700,000	-	-	700,000
Dato' Dr. Freezailah bin Che Yeom	50,400	-	-	50,400
Dato' Choong Moh Kheng	2,055,000	-	-	2,055,000
Deemed interest				
Dato' Seri (Dr.) Goh Eng Toon (1)	66,709,600	-	-	66,709,600
Tan Sri Dato' Tee Tiam Lee (2)	29,397,400	-	-	29,397,400
Dato' Leong Kok Wah (3)	66,909,600	100,000	-	67,009,600
Ho Tet Shin (4)	21,400	-	-	21,400
Dato' Choong Moh Kheng (5)	10,000,000	-	-	10,000,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2012	**Granted**	**Exercised**	**At 31.12.2012**
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
Dato' Seri (Dr.) Goh Eng Toon	-	1,500,000	-	1,500,000
Dato' Dr. Freezailah bin Che Yeom	-	1,200,000	-	1,200,000
Ho Tet Shin	-	1,200,000	-	1,200,000
Dato' Choong Moh Kheng	-	1,200,000	-	1,200,000

Directors' interests (continued)

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

	Number of Warrants 2007/2014			
	At 1.1.2012	**Acquired**	**Exercised/ Disposed**	**At 31.12.2012**
The Company				
Direct interest				
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
Dato' Dr. Freezailah bin Che Yeom	12,700	-	-	12,700
Deemed interest				
Dato' Seri (Dr.) Goh Eng Toon (1)	16,704,800	-	-	16,704,800
Tan Sri Dato' Tee Tiam Lee (2)	7,370,650	-	-	7,370,650
Dato' Leong Kok Wah (3)	16,704,800	-	-	16,704,800
Ho Tet Shin (4)	10,700	-	-	10,700

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

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

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

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

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

Directors' benefits

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

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

Issue of shares and debentures

During the financial year, the Company issued 47,430,780 new ordinary shares of RM0.50 each for total cash consideration amounting to RM23,715,000 via private placement.

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 (2011: 104,912,701).

Options granted over unissued shares

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

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

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

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

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

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

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

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

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

Options granted over unissued shares (continued)

iii) Duration of the ESOS

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

iv) Subscription price

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

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

		Number of options over ordinary shares of RM0.50 each				
Date of offer	**Exercise price**	**At 1.1.2012**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2012**
9 July 2010	RM0.57	20,008,700	-	-	2,235,800	17,772,900
1 July 2011	RM0.52	1,647,000	-	-	522,000	1,125,000
2 July 2012	RM0.50	-	6,198,000	-	-	6,198,000

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 210,000 options for the new options granted in 2012. 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 2012 of 210,000 or more ordinary shares of RM0.50 each are disclosed in Note 35 to the financial statements.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, except for the effect of acquisition of new subsidiaries during the financial year as disclosed in Note 34 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 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.

Significant event

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

Subsequent event

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

Auditors

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

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

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

……………………………………………
Tan Sri Dato' Tee Tiam Lee

Kuala Lumpur,

Date: 30 April 2013

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

Statements of financial position at 31 December 2012

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Assets							
Property, plant and equipment	3	81,219	28,842	8,467	-	-	-
Intangible assets	4	138,704	135,060	115,073	-	-	-
Trade and other receivables	5	515,236	376,555	274,959	-	-	-
Investment properties	6	8,446	5,104	3,443	-	-	-
Investments in subsidiaries	7	-	-	-	204,874	156,027	80,675
Investment in associate	8	28,329	28,650	30,690	-	-	-
Other investments	10	86	86	86	-	-	-
Deferred tax assets	11	2,420	2,420	2,420	-	-	-
Total non-current assets		774,440	576,717	435,138	204,874	156,027	80,675
Trade and other receivables, including derivatives	5	309,674	286,603	272,404	201,683	186,928	231,138
Inventories	12	26,404	2,940	5,421	-	-	-
Current tax assets		1,366	717	143	1,314	506	-
Assets classified as held for sale	13	-	-	653	-	-	-
Cash and cash equivalents	14	115,392	214,531	145,230	4,733	9,665	2,289
Total current assets		452,836	504,791	423,851	207,730	197,099	233,427
Total assets		1,227,276	1,081,508	858,989	412,604	353,126	314,102

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Statements of financial position as at 31 December 2012
(continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Equity							
Share capital		260,869	237,154	236,774	260,869	237,154	236,774
Reserves		75,995	76,009	59,373	62,686	61,124	59,373
Retained earnings/ (Accumulated losses)		79,691	76,235	26,958	(6,714)	(4,789)	(37,002)
Total equity attributable to owners of the Company	15	416,555	389,398	323,105	316,841	293,489	259,145
Non-controlling interests		225,490	159,032	89,362	-	-	-
Total equity		642,045	548,430	412,467	316,841	293,489	259,145
Liabilities							
Loans and borrowings	16	263,078	243,563	195,882	59,540	38,000	38,000
Deferred tax liabilities	11	6,495	402	79	-	-	-
Total non-current liabilities		269,573	243,965	195,961	59,540	38,000	38,000
Trade and other payables, including derivatives	18	230,429	227,768	205,519	9,223	9,137	8,930
Loans and borrowings	16	80,582	59,622	40,305	27,000	12,500	8,000
Current tax liabilities		4,647	1,723	4,737	-	-	27
Total current liabilities		315,658	289,113	250,561	36,223	21,637	16,957
Total liabilities		585,231	533,078	446,522	95,763	59,637	54,957
Total equity and liabilities		1,227,276	1,081,508	858,989	412,604	353,126	314,102

The notes on pages 21 to 121 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 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Revenue	19	340,806	472,462	16,070	617
Cost of sales		(273,522)	(392,713)	-	-
Gross profit		67,284	79,749	16,070	617
Other income		31,120	13,156	316	44,379
Distribution expenses		(4,892)	(9,638)	(82)	(12)
Administrative expenses		(51,592)	(52,775)	(3,862)	(6,000)
Other expenses		(1,572)	(953)	(3,605)	-
Results from operating activities		40,348	29,539	8,837	38,984
Finance income		13,492	11,756	3,644	2,700
Finance costs	21	(18,428)	(15,134)	(3,832)	(2,792)
Operating profit		35,412	26,161	8,649	38,892
Share of profit of equity-accounted investee, net of tax		3,483	2,892	-	-
Profit before tax		38,895	29,053	8,649	38,892
Income tax	22	(7,433)	(3,698)	(2,748)	436
Profit for the year	23	31,462	25,355	5,901	39,328

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Statements of comprehensive income for the year ended 31 December 2012

(continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other comprehensive (expense)/ income, net of tax					
Foreign currency translation differences for foreign operations		(4,546)	26,155	-	-
Total other comprehensive (expense)/ income for the year, net of tax	24	(4,546)	26,155	-	-
Total comprehensive income for the year		26,916	51,510	5,901	39,328
Profit attributable to:					
Owners of the Company		11,282	14,645	5,901	39,328
Non-controlling interests		20,180	10,710	-	-
Profit for the year		31,462	25,355	5,901	39,328
Total comprehensive income attributable to:					
Owners of the Company		9,706	29,530	5,901	39,328
Non-controlling interest		17,210	21,980	-	-
Total comprehensive income for the year		26,916	51,510	5,901	39,328
Basic earnings per ordinary share (sen)	25	2.21	3.09		

The notes on pages 21 to 121 are an integral part of these financial statements.

Salcon Berhad

(Company No. 593796-T)
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Statements of changes in equity for the year ended 31 December 2012

		Attributable to Owners of the Company								
			Non-distributable				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2011		236,774	36,445	22,150	-	778	26,958	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
Share options exercised		380	53	-	-	-	-	433	-	433
Share-based payment transactions	17	-	-	-	-	1,698	-	1,698	-	1,698
Dividends to owners	26	-	-	-	-	-	(7,115)	(7,115)	-	(7,115)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(3,538)	(3,538)
Total contribution from/ distribution to owners		380	53	-	-	1,698	(7,115)	(4,984)	(3,538)	(8,522)

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Statements of changes in equity for the year ended 31 December 2012 (continued)

		Attributable to Owners of the Company								
			Non-distributable				*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
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	14,885	2,347	76,235	389,398	159,032	548,430
		Note 15	Note 15	Note 15	Note 15	Note 15	Note 15			

Company No. 593796-T

Statements of changes in equity for the year ended 31 December 2012 (continued)

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

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Statements of changes in equity for the year ended 31 December 2012 (continued)

Company	Note	Share capital RM'000	← Non-Distributable → Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 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	17	-	-	-	1,698	-	1,698
Dividends to owners	26	-	-	-	-	(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/ 1 January 2012		237,154	36,627	22,150	2,347	(4,789)	293,489
Profit and total comprehensive income for the year		-	-	-	-	5,901	5,901
Issue of ordinary shares	15	23,715	-	-	-	-	23,715
Share-based payment transactions	17	-	-	-	1,562	-	1,562
Dividends to owners	26	-	-	-	-	(7,826)	(7,826)
Total contribution from/ distribution to owners		23,715	-	-	1,562	(7,826)	17,451
At 31 December 2012		260,869	36,627	22,150	3,909	(6,714)	316,841
		Note 15	Note 15	Note 15	Note 15		

The notes on pages 21 to 121 are an integral part of these financial statements.

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

Statements of cash flows for the year ended 31 December 2012

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax	38,895	29,053	8,649	38,892
Adjustments for:				
Amortisation of concession intangible assets	3,213	5,801	-	-
Amortisation of government grant	(626)	(605)	-	-
Amortisation of intangible assets	412	412	-	-
Bad debts written off	-	10	-	-
Change in fair value of investment properties	-	528	-	-
Depreciation of property, plant and equipment	4,256	2,912	-	-
Dividend income		-	(16,070)	(617)
Equity settled share-based payment transactions	1,562	1,698	239	230
Finance costs	18,428	15,134	3,832	2,792
Finance income	(13,492)	(11,756)	(3,644)	(2,700)
Gain on bargain purchase	(10,993)	(21)	-	-
Gain on disposal of property, plant and equipment	(32)	(53)	-	-
Gain on disposal of assets classified as held for sale	-	-	-	-
Gain on disposal of equity interest	-	-	-	(41,747)
Loss on disposal of investment properties	-	100	-	-
Loss on disposal of property, plant and Equipment	-	46	-	-
Share of profit of equity accounted associate	(3,483)	(2,892)	-	-
Property, plant and equipment written off	110	12	-	-
Unrealised loss/(gain) on foreign exchange	401	(57)	2,175	(2,390)
Operating profit/(loss) before changes in working capital	38,651	40,322	(4,819)	(5,540)
Changes in trade and other receivables	(2,266)	(86,042)	(3,921)	(104,977)
Changes in inventories	(3,588)	2,481	-	-
Changes in trade and other payables	(27,848)	9,321	399	207
Cash generated from/(used in) operations	4,949	(33,918)	(8,341)	(110,310)

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2012 (continued)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Cash generated from/(used in) operations	4,949	(33,918)	(8,341)	(110,310)
Interest paid	(16,295)	(15,134)	(3,832)	(2,792)
Tax paid	(4,924)	(7,221)	(56)	(97)
Net cash used in operating activities	(16,270)	(56,273)	(12,229)	(113,199)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(55,061)	(3,934)	-	-
Acquisition of concession intangible assets	(10,156)	(21,916)	-	-
Acquisition of investment properties	(3,342)	(3,791)	-	-
Acquisition of subsidiary, net of cash acquired	(53,445)	(16,122)	(48,847)	-
Dividends received from				
- Associated company	3,804	4,932	-	-
- Subsidiaries		-	571	28,076
Interest received	2,898	11,756	3,644	2,700
Proceeds from disposal of assets classified as held for sale	-	653	-	-
Proceeds from disposal of investment properties	-	1,502	-	-
Proceeds from disposal of property, plant and equipment	606	117	-	-
Proceeds from disposal of equity interest	-	-	-	91,981
Fund placed with debts service reserve account	-	(2,201)	-	(2,201)
Net cash (used in)/generated from investing activities	(114,696)	(29,004)	(44,632)	120,556

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2012 (continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Acquisition of non-controlling interests	-	994	-	-
Dividends paid to non-controlling interests	(3,146)	(3,538)	-	-
Dividends paid to owners of the Company	(7,826)	(7,115)	(7,826)	(7,115)
Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	8,680	91,981	-	-
Net proceeds from issue of share capital	23,715	433	23,715	433
Proceeds from borrowings	101,753	129,179	51,040	12,500
Repayment of borrowings	(77,723)	(62,362)	(15,000)	(8,000)
Payment of finance lease liabilities	(4,957)	(2,660)	-	-
Net cash generated from/(used in) financing activities	40,496	146,912	51,929	(2,182)
Net (decrease)/increase in cash and cash equivalents	(90,470)	61,635	(4,932)	5,175
Cash and cash equivalents at 1 January	208,626	139,400	5,263	88
Effect of exchange rate fluctuations on cash held	(7,750)	7,591	-	-
Cash and cash equivalents at 31 December	110,406	208,626	331	5,263

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2012

(continued)

Cash and cash equivalents

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed banks	41,362	131,717	-	5,000
Cash and bank balances	74,030	82,814	4,733	4,665
Bank overdrafts	(584)	(1,503)	-	-
	114,808	213,028	4,733	9,665
Less : Amount placed with debts service reserve account	(4,402)	(4,402)	(4,402)	(4,402)
	110,406	208,626	331	5,263

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM57,274,000 (2011: RM22,989,000), of which RM2,213,000 (2011: RM19,055,000) were acquired by means of finance leases.

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

Notes to the financial statements

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 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 2012 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 30 April 2013.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 36.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for IC Interpretation 20 which is not applicable to the Group and the Company.

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(i) MFRS 9, *Financial Instruments*

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

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

(ii) MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10:

(i) power by investor over an investee,
(ii) exposure, or rights, to variable returns from investor's involvement with the investee, and
(iii) investor's ability to affect those returns through its power over the investee.

The Group is currently assessing the financial impact of adopting MFRS 10.

(iii) MFRS 11, *Joint Arrangements*

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

The Group is currently assessing the financial impact of adopting MFRS 11.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(iv) MFRS 119, *Employee Benefits* (2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to MFRS 119 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The amendments to MFRS 119 have no significant impact to the Group.

(v) Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

The amendments to MFRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements of the Group and the Company upon their first adoption.

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

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

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

- Note 2(q) - contract revenue
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 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 in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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.

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(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

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.

(v) Associates

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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

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

(vi) Jointly-controlled operation and assets

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) Non-controlling interests

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 associates are eliminated against the investment to the extent of the Group's interest in the associates. 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.

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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.

(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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

(c) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

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

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

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

(e) Leased assets

(i) Finance lease

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

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

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

(f) Intangible assets

(i) Goodwill

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

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Concession rights

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

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

(iii) Concession intangible assets

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

Infrastructure assets comprised assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark ups on the actual cost incurred 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 with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation (continued)

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

The estimated useful lives are as follows:

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

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

(g) Investments properties

(i) Investment properties carried at fair value

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

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

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

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

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in 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.

(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 market 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. When actual rents differ materially from the estimated rental value, adjustment are made to reflect actual rents.

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(iii) Determination of fair value (continued)

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.

(h) Inventories

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

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

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

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

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

2. Significant accounting policies (continued)

(i) Receivables

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

(j) Non-current assets held for sale

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

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

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

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

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

(m) Impairment

(i) Financial assets

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

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

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

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

2. Significant accounting policies (continued)

(m) Impairment (continued)

(i) Financial assets (continued)

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, investment property that is measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs 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 unit 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) Ordinary shares

Ordinary shares are classified as equity.

(iii) Warrant reserve

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

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits

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

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

(ii) State plans

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

(iii) 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 awards. The amount recognised as an expense is adjusted to reflect the actual number of share options that vested during the period.

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.

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

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(ii) Construction contracts

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

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

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

(iii) Services

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

(iv) Rental income

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

(v) Dividend income

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

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(vi) Interest income

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

(r) Government grants

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

(s) Borrowing costs

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

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

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

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

2. Significant accounting policies (continued)

(t) Income tax

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

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

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

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.

2. Significant accounting policies (continued)

(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.

(w) Service concession arrangements

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

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

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

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

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

2. Significant accounting policies (continued)

(w) Service concession arrangements (continued)

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

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

3. Property, plant and equipment

Group **Cost**	**Land** **RM'000**	**Freehold buildings** **RM'000**	**Plant and machinery** **RM'000**	**Motor vehicles** **RM'000**	**Office equipment, furniture and fittings** **RM'000**	**Capital work-in-progress** **RM'000**	**Total** **RM'000**
At 1 January 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 January 2012	1,156	409	744	32,141	5,412	-	39,862
Acquisition through business combinations	-	-	-	61	71	-	132
Other additions	-	-	765	669	619	55,221	57,274
Disposals	-	-	(320)	(496)	(274)	-	(1,090)
Write-off	-	-	-	(99)	(140)	-	(239)
Effect of movements in exchange rates	-	-	-	(103)	(51)	-	(154)
At 31 December 2012	1,156	409	1,189	32,173	5,637	55,221	95,785

3. Property, plant and equipment (continued)

Depreciation	**Land RM'000**	**Freehold buildings RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Office equipment, furniture and fittings RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 January 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 2011/1 January 2012	66	83	654	6,443	3,774	-	11,020
Depreciation for the year	4	10	202	3,498	542	-	4,256
Disposals	-	-	(145)	(152)	(219)	-	(516)
Write-off	-	-	-	(51)	(78)	-	(129)
Effect of movements in exchange rates	-	-	-	(46)	(19)	-	(65)
At 31 December 2012	70	93	711	9,692	4,000	-	14,566
Carrying amounts							
At 1 January 2011	1,094	336	194	5,279	1,564	-	8,467
At 31 December 2011/1 January 2012	1,090	326	90	25,698	1,638	-	28,842
At 31 December 2012	1,086	316	478	22,481	1,637	55,221	81,219

Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles and plant and machinery acquired under finance lease agreements with net book value of RM19,880,000 (2011: RM21,239,000).

4. Intangible assets

Group	Goodwill RM'000	Concession rights RM'000	Concession intangible assets RM'000	Total RM'000
Cost				
At 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 2011/1 January 2012	3,683	13,175	137,121	153,979
Addition	-	-	10,156	10,156
Effect of movements in exchange rates	-	16	(3,566)	(3,550)
At 31 December 2012	3,683	13,191	143,711	160,585
Amortisation				
At 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 January 2012	-	1,565	17,354	18,919
Amortisation for the year	-	412	3,213	3,625
Effect of movements in exchange rates	-	-	(663)	(663)
At 31 December 2012	-	1,977	19,904	21,881
Carrying amounts				
At 1 January 2011	3,683	12,022	99,368	115,073
At 31 December 2011/1 January 2012	3,683	11,610	119,767	135,060
At 31 December 2012	3,683	11,214	123,807	138,704

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 RM4.0 million (2011: RM2.4 million) and are not depreciated.

4. Intangible assets (continued)

Goodwill

Impairment testing for cash-generating units containing goodwill

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

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

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

- Based on past experience and actual operating results attained in both 2011 and 2012, 3 years cash flow projections were prepared. An average growth rate of 5 percent (2011: 6 percent) was incorporated into the projections.

- A pre-tax discount rate of 10 percent (2011: 10 percent) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the Group's working cost of capital.

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

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

Concession rights

The concession rights of the Group comprises the water concession rights are for duration of 30 years for subsidiaries in China, namely, Linyi Salcon Water Company Limited, Haining Salcon Water Company Limited, Nan An Salcon Water Company Limited, Changle Salcon Raw Water Company Limited, Jiangsu Salcon Water & Environmental Development Company Limited and Yizheng Rong Xin Wastewater Treatment Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited.

4. Intangible assets (continued)

Concession intangible assets

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

5. Trade and other receivables, including derivatives

		Group			Company		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-current							
Trade							
Receivables from concession arrangements		510,451	371,247	274,959	-	-	-
Non-trade							
Other receivables	5.1	4,785	5,308	-	-	-	-
		515,236	376,555	274,959	-	-	-
Current							
Trade							
Trade receivables	5.2	157,425	139,899	103,847	-	-	-
Amount due from contract customers	5.3	70,021	77,933	112,931	-	-	-
		227,446	217,832	216,778	-	-	-

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

		Group			Company		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Non-trade							
Amount due from associate	5.4	5	5	1	-	-	-
Amount due from subsidiaries	5.5	-	-	-	189,394	179,390	230,434
Other receivables	5.6	67,142	47,724	48,695	12,289	-	-
Deposits	5.7	13,592	15,514	1,790	-	7,530	-
Prepayments		1,403	5,425	4,800	-	8	704
Financial assets at fair value through profit or loss: - Held for trading, including derivatives		86	103	340	-	-	-
		82,228	68,771	55,626	201,683	186,928	231,138
		309,674	286,603	272,404	201,683	186,928	231,138
		824,910	663,158	547,363	201,683	186,928	231,138

5.1 In 2011, a subsidiary of the Company has entered into a debt settlement agreement with a debtor to restructure its debts. The debt settlement agreement involves a 8-year installments plan to be repaid by cash and the amount is non-interest bearing and unsecured.

5.2 Included in trade receivables of the Group are retention sums amounting to RM17,806,000 (31 December 2011: RM24,630,000; 1 January 2011: RM13,956,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Within 1 year	569	2,992	100
1 - 2 years	2,843	8,286	3,473
2 - 3 years	8,083	4,035	4,774
3 - 4 years	3,583	2,315	932
4 - 5 years	2,728	7,002	4,677
	17,806	24,630	13,956

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

5.3 Amount due from contract customers

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Aggregate costs incurred to date	1,204,555	930,942	908,511
Add: Attributable profit	137,265	102,227	136,839
	1,341,820	1,033,169	1,045,350
Less: Progress billings	(1,297,344)	(976,244)	(947,689)
	44,476	56,925	97,661
Amount due to contract customers (Note 18)	25,545	21,008	15,270
Amount due from contract customers	70,021	77,933	112,931

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM9,886,000 (31 December 2011: RM9,538,000; 1 January 2011: RM6,862,000) and RM1,028,000 (31 December 2011: RM1,465,000; 1 January 2011: RM1,273,000) respectively.

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

5.5 The amount due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM114.3 million (31 December 2011: RM123.2 million; 1 January 2011: RM65 million) which bear interest ranging from 2% to 5.8% (31 December 2011: 2% to 5.8%; 1 January 2011: 5.20%) per annum.

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

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

i) RM491,000 (31 December 2011: RM14,896,000; 1 January 2011: 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 2011, accumulated pre-commencement projects expenses of RM4,456,000 incurred in prior years have been charged out to profit or loss.

iii) Allowance for impairment losses is amounting to RM362,000 (31 December 2011: RM271,000; 1 January 2011: RM132,000).

iv) Advances paid to contractors in constructing the water treatment plants in China amounted to RM nil (31 December 2011: RM834,000; 1 January 2011: RM3.1 million).

v) Advances amounting to RM14.7 million (31 December 2011: RM15.5 million; 1 January 2011: 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.

vi) During the financial year, a subsidiary has terminated its concession agreement with the local authority for a net compensation of RM31,074,000 receivable before 1 November 2015 (Note 37).

5.7 In 2011, included in deposits of the Group and of the Company is a refundable deposit amounted to RM7,350,000 relating to deposit paid to Darco Water Technologies Limited (“Darco”) for the acquisition of 60% equity interest in Darco Environmental Pte. Ltd., a subsidiary of Darco.

6. Investment properties

	Note	Group 2012 RM'000	2011 RM'000
At 1 January		5,104	3,443
Acquisition through business combination	34	19,720	-
Acquisitions		3,342	3,791
Disposal		-	(1,602)
Change in fair value		-	(528)
Transfer to inventories	12	(19,720)	-
At 31 December		8,446	5,104

Included in the above are:

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Freehold land	319	319	230
Freehold land and buildings	511	511	2,642
Leasehold land and buildings with unexpired lease period of more than 50 years	7,616	4,274	571
	8,446	5,104	3,443

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

	Group 2012 RM'000	2011 RM'000
Rental income	25	41
Direct operating expenses:		
- income generating investment properties	5	10

The titles to the leasehold land and buildings with carrying amount of RM7,122,000 (2011: RM3,781,000) 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 2012 and 31 December 2011.

7. Investments in subsidiaries

	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost	204,464	155,617	80,265
Unquoted preference shares, at cost	7,267	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)	(6,857)
	204,874	156,027	80,675

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
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	100
Salcon Water (Asia) Limited +	Hong Kong	Investment holding company	60	60	100
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant.	51	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	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	100

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Salcon Water International Limited +	Hong Kong	Dormant	100	100	100
Salcon Capital Sdn. Bhd.	Malaysia	Investment holding company	100	100	100
Salcon Water International Pte. Ltd. ^	Singapore	Dormant	100	100	100
Salcon Power (HK) Limited +	Hong Kong	Dormant	100	100	100
Salcon Water (HK) Limited +	Hong Kong	Dormant	100	100	100
Salcon-Darco Environmental Pte Ltd (formerly known as Darco Environmental Pte Ltd)^	Singapore	Investment holding company	60	-	-
Salcon Development Sdn. Bhd.	Malaysia	Investment holding company	100	-	-
Kencana Kesuma Sdn. Bhd.	Malaysia	Dormant	100	-	-
Gerbang Mawar Sdn. Bhd.	Malaysia	Dormant	100	-	-
Satria Megajuta Sdn. Bhd.	Malaysia	Dormant	100	-	-
Subsidiaries of Salcon Engineering Berhad:					
Salcon-Centrimax Engineering Sdn. Bhd.	Malaysia	Dormant	100	100	100
Precise Metal Sdn. Bhd.	Malaysia	Dormant	100	100	100
Salcon Power Sdn. Bhd.	Malaysia	Investment holding	100	100	100

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiaries of Salcon Engineering Berhad (continued):					
Salcon Resources Sdn. Bhd.	Malaysia	Dormant	100	100	100
Salcon Environmental Services Sdn. Bhd.	Malaysia	Operation and maintenance of water treatment plants.	100	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants.	60	60	60
Glitteria Sdn. Bhd. @	Malaysia	Provision of engineering works	50	50	50
Bumi Tiga Enterprise Sdn. Bhd.	Malaysia	Investment holding	100	100	100
Salcon Corporation Sdn. Bhd.	Malaysia	Dormant	100	100	100
Salcon (Perak) Sdn. Bhd. @	Malaysia	Dormant	40	40	40
Tanjung Jutaria Sdn. Bhd.	Malaysia	Dormant	100	-	-
Salcon (Sarawak) Sdn. Bhd.	Malaysia	Dormant	100	100	100
Salcon Holdings (Mauritius) Limited ^	Mauritius	Investment holding	100	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100	100

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:					
Skeel Engineering Sdn. Bhd.	Malaysia	Dormant	100	100	100
Salcon Building Services Sdn. Bhd.	Malaysia	Dormant	100	100	100
Eagle Metalizing & Coatings Company Sdn. Bhd. *	Malaysia	Dormant	60	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	60	100
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	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	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	60	100

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiaries of Salcon Water (Asia) Limited:					
Salcon Services (HK) Limited +	Hong Kong	Investment holding company involved in investment advisory in the People's Republic of China via its subsidiary.	60	60	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	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	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	36	60
Linyi Salcon Water Supply Facilities Company Limited +	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment.	36	36	-
Subsidiary of Salcon Zhejiang (HK) Limited:					
Haining Salcon Water Company Limited +	People's Republic of China	Management and operation of water production and sale of water in Haining City, ZheJiang Province.	36	36	60

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
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	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	60	100
Subsidiary of Salcon Services (HK) Limited:					
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. +	People's Republic of China	Consultancy services for investment, operation and strategy business.	60	60	-
Subsidiary of Salcon Jiangsu (HK) Limited :					
Jiangsu Salcon Water & Environmental Development Company Limited +	People's Republic of China	Design, build and operate of water transmission in Jiangsu Province.	67	67	67
Subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited:					
Yizheng Salcon Wastewater Treatment Company Limited +	People's Republic of China	Management and operation of wastewater treatment plant in Yizheng city.	67	67	67

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiary of Salcon Changzhou (HK) Limited:					
Changzhou Salcon Wastewater Treatment Company Limited +	People's Republic of China	Management and operation of wastewater treatment plant in Changzhou City	100	100	-
Subsidiary of Salcon Power Sdn Bhd:					
Salcon Green Energy (UK) Ltd. *	United Kingdom	Dormant	100	100	-
Subsidiary of Salcon Capital Sdn Bhd:					
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51.3	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	100
Subsidiary of Salcon Water International Limited:					
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	100	100	100
Subsidiary of Salcon Development Sdn. Bhd.:					
Azitin Venture Sdn. Bhd.	Malaysia	Property development	50	-	-
Nusantara Megajuta Sdn. Bhd.	Malaysia	Property development	50	-	-

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiary of Salcon-Darco Environmental Pte Ltd (formerly known as Darco Environmental Pte Ltd):					
Deqing Darco Producing Water Co Ltd +	China	Management and operation of water production and sale of water in Deqing county, Zhejiang Province	60	-	-
Globe Industrial Technology Co, Ltd +	Hong Kong	Investment holding	57	-	-
Subsidiary of Globe Industrial Technology Co, Ltd:					
Deqing Huanzhong Producing Water Co, Ltd +	China	Management and operation of water production and sale of water in Deqing county, Zhejiang Province	53	-	-

\+ Audited by other member firms of KPMG International

^ Audited by other firms of accountants.

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

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

8. Investment in associate

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Unquoted shares, at cost	11,800	11,800	11,800
Unquoted preference shares, at cost	10,000	10,000	10,000
Share of post-acquisition profits	6,529	6,850	8,890
	28,329	28,650	30,690

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

	Country of incorporation	Effective ownership interest	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
31 December 2012						
EUC*	Malaysia	40%	22,711	8,708	47,395	786
31 December 2011						
EUC*	Malaysia	40%	22,405	7,229	50,291	1,302
1 January 2011						
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.

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9. Investment in jointly controlled entity

Details of jointly controlled entity is as follows:

	Principal activities	Proportion of ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
WET - Envitech Joint Venture	Construction of sewage treatment plants, project management on sewage treatment plants and related activities.	50	50	50

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

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

10. Other investments

Group	**Total RM'000**	**Unquoted shares RM'000**	**Other investment RM'000**
31 December 2012			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
31 December 2011			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
1 January 2011			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86

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10. Other investments (continued)

Company

31 December 2012			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
31 December 2011			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
1 January 2011			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

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11. Deferred tax assets and liabilities

Group

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment	-	-	-	(1,288)	(761)	(520)	(1,288)	(761)	(520)
Provisions	229	179	590	(225)	-	-	4	179	590
Other items	37	-	-	(5,749)	(181)	(126)	(5,712)	(181)	(126)
Tax losses carry-forwards	2,835	2,781	2,397	-	-	-	2,835	2,781	2,397
Unabsorbed capital allowances	86	-	-	-	-	-	86	-	-
Tax assets/(liabilities)	3,187	2,960	2,987	(7,262)	(942)	(646)	(4,075)	2,018	2,341
Set off of tax	(767)	(540)	(567)	767	540	567	-	-	-
Net tax assets/(liabilities)	2,420	2,420	2,420	(6,495)	(402)	(79)	(4,075)	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 RM11.3 million will not be available to the Group, resulting in a decrease in 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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unabsorbed capital allowance	849	465	40	-	-	-
Unutilised tax losses	3,812	1,060	702	-	-	-
	4,661	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 1.1.2011 RM'000	Recognised in profit or loss (Note 22) RM'000	At 1.1.2012 RM'000	Acquisition through business combination (Note 34) RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2012 RM'000
Property, plant and equipment	(520)	(241)	(761)	-	(527)	(1,288)
Provisions	590	(411)	179	-	(175)	4
Other items	(126)	(55)	(181)	(5,749)	218	(5,712)
Tax losses carry-forwards	2,397	384	2,781	-	54	2,835
Unabsorbed capital allowances	-	-	-	-	86	86
	2,341	(323)	2,018	(5,749)	(344)	(4,075)

12. Inventories

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost:				
Raw materials and consumables		3,931	2,927	4,886
Spares		1,259	13	535
Land held for property development	12.1	21,214	-	-
		26,404	2,940	5,421

In 2012, inventories recognised as cost of sales amounted to RM11,164,000 (2011: RM8,089,000).

12.1 Land held for property development

	Note	Group RM'000
At 1 January 2011/1 January 2012		-
Transfer from investment properties	6	19,720
Additions during the year		1,494
At 31 December 2012		21,214

13. Assets classified as held for sale

	Group RM'000
Assets classified as held for sale	
At 1 January 2011	653
Disposal	(653)
At 31 December 2011	-

In 2011, the Group disposed of the investment properties for a total consideration of RM653,000 to a third party.

14. Cash and cash equivalents

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Deposits placed with licensed banks						
- Malaysia	24,195	110,053	37,684	-	-	-
- Outside Malaysia	17,167	21,664	51,079	-	-	-
	41,362	131,717	88,763	-	-	-
Cash and bank balances						
- Malaysia	37,073	25,371	18,118	4,733	9,665	2,289
- Outside Malaysia	36,957	57,443	38,349	-	-	-
	74,030	82,814	56,467	4,733	9,665	2,289
	115,392	214,531	145,230	4,733	9,665	2,289

Included in the cash and bank balances is RM4,402,000 (31 December 2011: RM4,402,000; 1 January 2011: RM2,201,000) placed in a debts service reserve account with restricted withdrawal of fund.

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

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Ringgit Malaysia (RM)	54,771	135,194	45,764	4,714	9,596	2,289
Renminbi (RMB)	46,151	65,846	87,992	-	-	-
U.S. Dollar (USD)	8,094	10,333	5,485	19	69	-
Japanese Yen (JPY)	54	10	23	-	-	-
Vietnamese Dong (VND)	231	340	1,848	-	-	-
Sri Lanka Rupee (LKR)	1,422	1,528	2,901	-	-	-
Thai Baht (THB)	233	46	69	-	-	-
Hong Kong Dollar (HKD)	2,757	1,066	27	-	-	-
Euro (EUR)	10	24	990	-	-	-
Indonesian Rupiah (IDR)	6	5	8	-	-	-
Pound Sterling (GBP)	109	49	-	-	-	-
Indian Rupees (Rs)	1,554	90	123	-	-	-
	115,392	214,531	145,230	4,733	9,665	2,289

15. Capital and reserves

Share capital

	Group and Company					
	Amount 31.12.2012 RM'000	**Number of shares 31.12.2012 '000**	**Amount 31.12.2011 RM'000**	**Number of shares 31.12.2011 '000**	**Amount 1.1.2011 RM'000**	**Number of shares 1.1.2011 '000**
Authorised:						
Ordinary shares of RM0.50 each	500,000	1,000,000	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	237,154	474,308	236,774	473,548	233,860	467,720
Issued for cash under Employees Share Option Scheme	-	-	380	760	2,914	5,828
Issued for cash under private placement	23,715	47,430	-	-	-	-
At 31 December	260,869	521,738	237,154	474,308	236,774	473,548

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 Ringgit Malaysia.

15. Capital and reserves (continued)

Share option reserve

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

Section 108 tax credit

The Company has opted for the single tier income tax system. As such, Section 108 tax credit is no longer available to the Company.

16. Loans and borrowings

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current						
Finance lease liabilities	11,966	14,571	2,276	-	-	-
Term loans (unsecured)	251,112	228,992	193,606	59,540	38,000	38,000
	263,078	243,563	195,882	59,540	38,000	38,000
Current						
Bank overdrafts (unsecured)	584	1,503	3,629	-	-	-
Bankers' acceptances (unsecured)	6,120	-	1,726	-	-	-
Revolving credits (unsecured)	3,000	3,564	4,444	-	-	-
Term loans (unsecured)	66,414	49,953	28,979	27,000	12,500	8,000
Finance lease liabilities	4,464	4,602	1,527	-	-	-
	80,582	59,622	40,305	27,000	12,500	8,000

Included in unsecured term loans of the Group is RM16,073,000 (31 December 2011: RM16,483,000; 1 January 2011: RM16,875,000) being term loan obtained from Linyi Municipal Government which bear interest at rate of 2.90% (31 December 2011: 2.55%; 1 January 2011: 2.55%) per annum.

16. Loans and borrowings (continued)

16.1 Security

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

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 31.12.2012 RM'000	Interest 31.12.2012 RM'000	Present value of minimum lease payments 31.12.2012 RM'000	Future minimum lease payments 31.12.2011 RM'000	Interest 31.12.2011 RM'000	Present value of minimum lease payments 31.12.2011 RM'000	Future minimum lease payments 1.1.2011 RM'000	Interest 1.1.2011 RM'000	Present value of minimum lease payments 1.1.2011 RM'000
Less than one year	5,376	(912)	4,464	5,680	(1,078)	4,602	1,701	(174)	1,527
Between one and five years	13,070	(1,104)	11,966	16,302	(1,731)	14,571	2,410	(134)	2,276
	18,446	(2,016)	16,430	21,982	(2,809)	19,173	4,111	(308)	3,803

17. Employee benefits

Equity compensation benefits

Share option plan

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

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

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

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

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

17. Employee benefits (continued)

Grant date/ employees entitled	Number of options ’000	Vesting conditions	Contractual life of options
Option granted to Non-executive Directors and eligible employees on 2 July 2012	6,198	Eligible employees are confirmed staff with at least one year service as at the date of offer including Non-executive Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	3 years
Total share options	39,344		

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

	Weighted average exercise price RM	Group and Company 2012 ’000	2011 ’000
Outstanding at 1 January	0.57	21,655	24,430
Granted during the year	0.50	6,198	1,647
Lapsed during the year	0.56	(2,758)	(3,662)
Exercised during the year	0.57	-	(760)
Outstanding at 31 December	0.54	25,095	21,655

The options outstanding at 31 December 2012 have an exercise price in the range of RM0.50 to RM0.57 (2011: RM0.52 to RM0.57) and a weighted average contractual life of 4 years (2011: 4 years).

17. Employee benefits (continued)

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	**2012**	**2011**
Fair value at grant date	RM0.08	RM0.12
Weighted average share price	RM0.61	RM0.56
Exercise price	RM0.50	RM0.52
Expected volatility (weighted average volatility)	2.08%	1.98%
Option life (expected weighted average life)	3 years	4 years
Risk-free interest rate (based on Malaysian government bonds)	4.012%	4.26%

Value of employee services received for issue of share options

	Group		**Company**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Expenses recognised as share-based payments	1,562	1,698	239	230

18. Trade and other payables, including derivatives

		Group			**Company**		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Trade							
Trade payables		93,831	92,114	91,990	-	-	-
Amount due to contract customers (Note 5)		25,545	21,008	15,270	-	-	-
		119,376	113,122	107,260	-	-	-

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

		Group			Company		
	Note	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Non-trade							
Amount due to associate	18.1	2	2	1	-	-	-
Amount due to subsidiaries	18.2	-	-	-	8,067	8,368	8,132
Other payables	18.3	93,664	97,691	81,908	565	589	739
Accrued expenses		5,179	2,049	849	591	180	59
Deferred income	18.4	12,208	14,904	15,501	-	-	-
		111,053	114,646	98,259	9,223	9,137	8,930
		230,429	227,768	205,519	9,223	9,137	8,930

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

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

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

i) RM19.1 million (31 December 2011: RM26.9 million; 1 January 2011: 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 RM24.4 million (31 December 2011: RM43.4 million; 1 January 2011: 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 RM1,553,000 million (31 December 2011: RM559,000; 1 January 2011: RM280,000).

18.4 The deferred income relates to government grant received from the Government of China amounting to RM12.2 million (31 December 2011: RM14.9 million; 1 January 2011: 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 24 years.

19. Revenue

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Sales	19,441	29,562	-	-
Services	13,771	9,724	-	-
Construction	190,617	341,774	-	-
Operating concession revenue	116,977	91,402	-	-
Dividends	-	-	16,070	617
	340,806	472,462	16,070	617

20. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	150	150	150	150
- Remuneration	4,152	3,667	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	200	155	20	18
- Share-based payments	366	233	133	-
	4,868	4,205	303	168

21. Finance costs

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Finance costs on:				
- Bank overdraft	36	62	-	-
- Loans	18,550	15,976	3,832	2,792
- Other borrowings	1,136	423	-	-
	19,722	16,461	3,832	2,792
Less: Capitalised on qualifying assets:				
- Concession intangible assets	(1,294)	(1,327)	-	-
	18,428	15,134	3,832	2,792

22. Income tax

Recognised in the profit or loss

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Income tax expense/(credit)	7,433	3,698	2,748	(436)
Current tax expense				
Malaysian - current year	2,513	3,222	3,651	253
- prior year	(768)	(1,188)	(903)	(689)
Overseas - current year	5,344	2,224	-	-
- prior year	-	(883)	-	-
Total current tax expense/(credit)	7,089	3,375	2,748	(436)
Deferred tax expense				
Origination and reversal of temporary differences	284	47	-	-
Under provision in prior years	60	276	-	-
Total deferred tax expense	344	323	-	-
Total income tax expense/(credit)	7,433	3,698	2,748	(436)

Reconciliation of effective tax expense

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the year	31,462	25,355	5,901	39,328
Total income tax expense/(credit)	7,433	3,698	2,748	(436)
Profit excluding tax	38,895	29,053	8,649	38,892
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)	9,724	7,263	2,162	9,723
Effect of tax rates in foreign jurisdiction	(2,001)	(6,255)	-	-
Non-deductible expenses	5,315	11,240	2,006	57
Tax exempt income	(5,681)	(9,530)	(517)	(9,250)
Effect of deferred tax assets not recognised	784	196	-	-
Other items	-	2,579	-	(277)
	8,141	5,493	3,651	253
Over provision in prior years	(708)	(1,795)	(903)	(689)
	7,433	3,698	2,748	(436)

22. Income tax (continued)

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.

23. Profit for the year

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year is arrived at after charging:				
Allowance for impairment losses				
- Trade receivables	1,496	277	-	-
- Other receivables	91	139	-	-
Amortisation of concession intangible assets	3,213	5,801	-	-
Amortisation of intangible assets	412	412	-	-
Auditors' remuneration:				
- Audit fees				
- Current year				
KPMG Malaysia	229	220	50	50
Overseas affiliates of KPMG Malaysia	657	537	-	-
Other auditors	91	26	-	-
- Underprovision in prior year				
KPMG Malaysia	30	-	30	-
- Non-audit fees				
- Current year				
KPMG Malaysia	62	42	62	-
- Underprovision in prior year				
KPMG Malaysia	2	-	2	-
Bad debt written off	-	10	-	-
Depreciation of property, plant and equipment	4,256	2,912	-	-
Change in fair value of investment properties	-	528	-	-
Loss on disposal of investment properties	-	100	-	-
Loss on disposal of property, plant and equipment	-	46	-	-

23. Profit for the year (continued)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year is arrived at after charging: (continued)				
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	3,157	3,001	352	357
- Share-based payments	1,562	1,698	238	230
- Wages, salaries and others	49,335	43,236	2,843	3,075
Property, plant and equipment written off	110	12	-	-
Realised loss on foreign exchange	241	1,053	-	-
Rental of expense in respect of:				
- Equipment	6	13	-	-
- Premises	1,425	844	-	-
Unrealised loss on foreign exchange	516	912	2,491	236
	=====	=====	=====	=====
and after crediting:				
Allowance for impairment losses no longer required - Trade receivables	2,293	2,925	-	-
Amortisation of government grant	605	605	-	-
Dividend income from subsidiaries (unquoted)	-	-	16,070	617
Gain on bargain purchase	10,993	21	-	-
Gain on disposal of equity interest	-	-	-	41,747
Gain on disposal of property, plant and equipment	32	53	-	-
Gain on disposal of assets classified as held for sale	-	-	-	-
Finance income:				
- Subsidiaries	-	-	3,639	2,658
- Others	2,898	2,536	5	42
- Concession receivables	10,594	9,220	-	-
Realised gain on foreign exchange	823	263	-	-
Rental income on premises	231	228	-	-
Rental income on investment properties	25	41	-	-
Unrealised gain on foreign exchange	115	969	316	2,626
	=====	=====	=====	=====

24. Other comprehensive (expenses)/income

Group 2012	Before tax RM'000	Tax RM'000	Net of tax RM'000
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(4,546)	-	(4,546)
	=====	=====	=====
2011			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	26,155	-	26,155
	=====	=====	=====

25. Earnings per ordinary share - Group

Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to owners of the Company of RM11,282,000 (2011: RM14,645,000) and the weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2012 '000	2011 '000
Issued ordinary shares at 1 January	474,308	473,548
Effect of shares issued	36,415	648
Weighted average number of ordinary shares at 31 December	510,723	474,196
	======	======

	2012 sen	2011 sen
Basic earnings per share	2.21	3.09
	===	===

25. Earnings per ordinary share – Group (continued)

Diluted earnings per share

The potential ordinary shares i.e. warrants and options are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares at the end of the reporting period. Accordingly, the diluted earnings per share is not presented.

26. Dividends

Dividends recognised in the current year by the Company are:

2012	**Sen per share**	**Total amount RM'000**	**Date of payment**
Final 2011 ordinary (single tier)	1.5	7,826	20 July 2012
Total amount		7,826	
2011			
Final 2010 ordinary (single tier)	1.5	7,115	22 July 2011
Total amount		7,115	

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)	1.0

27. 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.

27. Operating segments (continued)

	Constructions 2012 RM'000	Concessions 2012 RM'000	Trading 2012 RM'000	Total 2012 RM'000
Segment profit	10,321	51,372	3,450	65,143
Included in the measure of segment profit are:				
Revenue from external customers	141,891	185,866	13,049	340,806
Share of profit of associate	-	3,483	-	3,483
Not included in the measure of segment profit but provided to Chief Operating Officer:				
Depreciation and amortisation	(1,278)	(4,379)	(2,224)	(7,881)
Finance costs	(3,957)	(13,430)	(1,041)	(18,428)
Finance income	2,292	11,178	22	13,492
Income tax expense	(1,250)	(5,552)	(631)	(7,433)
Segment assets	279,302	858,798	89,176	1,227,276
Included in the measure of segment assets are:				
Investment in associate	-	28,329	-	28,329
Additions to non-current assets other than financial instruments and deferred tax assets	3,440	11,816	55,516	70,772

27. 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	365,098	687,698	28,712	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

27. Operating segments (continued)

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

	2012 RM'000	2011 RM'000
Profit		
Total profit or loss for reportable segments	65,143	55,907
Depreciation and amortisation	(7,881)	(9,125)
Finance costs	(18,428)	(15,134)
Finance income	13,492	11,756
Unallocated expenses:		
Corporate expenses	(13,431)	(14,351)
Consolidated profit before tax	38,895	29,053

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 2012 RM'000	Non current assets 2012 RM'000	Revenue 2011 RM'000	Non-current assets 2011 RM'000
Malaysia	156,415	35,066	288,626	37,577
China	165,803	43,538	166,859	40,152
Sri Lanka	5,779	-	20,066	-
Vietnam	1,136	31	(3,303)	-
Other countries	11,673	55,256	214	160
	340,806	133,891	472,462	77,889

28. Financial instruments

28.1 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
31 December 2012				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	823,507	823,421	-	86
Cash and cash equivalents	115,392	115,392	-	-
	938,985	938,813	86	86
Company				
Trade and other receivables	201,683	201,683	-	-
Cash and cash equivalents	4,733	4,733	-	-
	206,416	206,416	-	-
Financial liabilities				
Group				
Loans and borrowings	(343,660)	(343,660)	-	-
Trade and other payables, including derivatives	(230,429)	(230,429)	-	-
	(574,089)	(574,089)	-	-
Company				
Loans and borrowings	(86,540)	(86,540)	-	-
Trade and other payables	(9,223)	(9,223)	-	-
	(95,763)	(95,763)	-	-

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
31 December 2011				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	657,733	657,630	-	103
Cash and cash equivalents	214,531	214,531	-	-
	872,350	872,161	86	103
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)	(227,768)	-	-
	(530,953)	(530,953)	-	-
Company				
Loans and borrowings	(50,500)	(50,500)	-	-
Trade and other payables	(9,137)	(9,137)	-	-
	(59,637)	(59,637)	-	-

28. Financial instruments (continued)

28.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
1 January 2011				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	542,563	542,223	-	340
Cash and cash equivalents	145,230	145,230	-	-
	687,879	687,453	86	340
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)	(205,519)	-	-
	(441,706)	(441,706)	-	-
Company				
Loans and borrowings	(46,000)	(46,000)	-	-
Trade and other payables	(8,930)	(8,930)	-	-
	(54,930)	(54,930)	-	-

28. Financial instruments (continued)

28.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) arising on:				
Loans and receivables	895	13,522	(2,175)	5,090
Financial liabilities measured at amortised cost	(18,428)	(15,134)	(3,832)	(2,792)
	(17,533)	(1,612)	(6,007)	2,298

28.3 Financial risk management

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

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

28.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

28. Financial instruments (continued)

28.4 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	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Domestic	125,342	145,804	141,158
Sri Lanka	16,712	18,601	28,175
Vietnam	39,181	46,677	49,130
China	627,841	443,199	322,920
Others	14,431	3,452	1,180
	823,507	657,733	542,563

At date of statement of financial position, there were no significant concentrations of credit risk except for ten (2011: ten) major project debts which accounted for 13% (2011: 59%) 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 8% (2011: 42%) 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.

28. Financial instruments (continued)

28.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
31 December 2012			
Not past due	99,862	-	99,862
Past due 1 - 30 days	7,935	-	7,935
Past due 31 - 120 days	18,499	-	18,499
Past due more than 120 days	121,042	(19,892)	101,150
	247,338	(19,892)	227,446
31 December 2011			
Not past due	128,744	-	128,744
Past due 1 - 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
1 January 2011			
Not past due	152,854	-	152,854
Past due 1 - 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.

28. Financial instruments (continued)

28.4 Credit risk (continued)

Receivables (continued)

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

	2012 RM'000	2011 RM'000
At 1 January	(20,868)	(23,553)
Impairment loss recognised	(1,496)	(277)
Impairment loss reversed	2,293	2,925
Impairment loss written off	179	37
At 31 December	(19,892)	(20,868)

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 RM214,478,000 (2011: RM123,365,000) representing the outstanding amount of banking facilities of the subsidiaries as at end of the reporting period.

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

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

28. Financial instruments (continued)

28.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

28.5 Liquidity risk

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

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

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis

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

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

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31 December 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							
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	-

28. Financial instruments (continued)

28.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
1 January 2011							
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							
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	-

28. Financial instruments (continued)

28.6 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.

28.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

28. Financial instruments (continued)

28.6 Market risk

28.6.1 Currency risk (continued)

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

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.1 Currency risk (continued)

Group	Denominated in AUD RM'000	EUR RM'000	USD RM'000	JPY RM'000	VND RM'000	LKR RM'000
31 December 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)
1 January 2011						
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)

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.1 Currency risk (continued)

Currency risk sensitivity analysis

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

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

	Equity		**Profit or loss**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
AUD	-	-	-	-
EUR	891	64	891	64
USD	650	986	650	986
JPY	838	(1,146)	838	(1,146)
VND	(169)	(87)	(169)	(87)
LKR	37	(575)	37	(575)
	2,247	(758)	2,247	(758)

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

28.6.2 Interest rate risk

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

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.2 Interest rate risk (continued)

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Fixed rate instruments						
Financial assets	41,362	131,717	88,763	-	-	-
Financial liabilities	32,503	19,173	3,803	-	-	-
	======	======	======	======	======	======
Floating rate instruments						
Financial liabilities	311,157	284,012	232,384	86,540	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.

28. Financial instruments (continued)

28.6 Market risk (continued)

28.6.2 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**
2012				
Floating rate instruments	(2,333)	2,333	(649)	649
	=====	=====	=====	=====
2011				
Floating rate instruments	(2,130)	2,130	(378)	378
	=====	=====	=====	=====

28.7 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:

	31.12.2012		**31.1.2011**		**31.12.2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Forward exchange contracts:						
Assets	86	86	103	103	340	340
Unsecured bank loans	326,647	276,326	278,945	264,466	228,755	211,741
Finance lease liabilities	16,430	16,160	19,173	17,448	3,803	3,644
	======	======	======	======	======	======
Company						
Unsecured bank loans	86,540	84,318	50,500	49,162	46,000	38,514
	======	======	======	======	======	======

28. Financial instruments (continued)

28.7 Fair value of financial instruments (continued)

Derivatives

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted 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).

28.7.1 Fair value hierarchy

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
31 December 2012				
Financial assets				
Forward exchange contracts	-	86	-	86
	=====	=====	=====	=====
31 December 2011				
Financial assets				
Forward exchange contracts	-	103	-	103
	=====	=====	=====	=====
1 January 2011				
Financial assets				
Forward exchange contracts	-	340	-	340
	=====	=====	=====	=====

29. Capital management

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

The debt-to-equity ratios at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Total borrowings (Note 16)	343,660	303,185	236,187
Less: Cash and cash equivalents (Note 14)	(115,392)	(214,531)	(145,230)
Net debt	228,268	88,654	90,957
Total equity	642,045	548,430	412,467
Debt-to-equity ratio	0.35	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 debt-to-equity ratio at no more than 1.25 to comply with a bank covenant, failing which, the bank may call an event of default.

30. Contingencies

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

	Group			Company		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	-	419,369	595,029	533,213
Bank guarantees given to third parties relating to performance, tender and advance payment bonds - unsecured	110,297	115,401	163,180	-	-	-
Guarantees given in favour of main contractors of the subsidiaries - unsecured	10,918	10,918	10,918	10,918	10,918	10,918
	======	======	======	======	======	======

31. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control 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 related party relationships with its subsidiaries (see Note 7), associate (see Note 8), Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 20.

31. Related parties (continued)

Significant transactions with subsidiaries

Company	Transaction value year ended 31 December 2012 RM'000	2011 RM'000
Interest income	3,639	2,658
	====	====

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

32. Operating leases

Lease as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2012 RM'000	2011 RM'000
Less than one year	1,455	772
Between one and five years	2,381	768
More than five years	3,076	292
	6,912	1,832
	======	======

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

33. Capital and other commitments

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Capital expenditure commitments			
Contracted but not provided for	5,399	116,621	154,329
	======	======	======
Guaranteed minimum gross rental			
Contracted but not provided for in the financial statements	6,912	1,832	894
	======	======	======

34. Acquisition of subsidiaries

Business combination

(i) 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") 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.

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

	RM'000
Fair value of consideration transferred	
Cash and cash equivalents	7,200
	=====

	Note	RM'000
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	10
Land held for property development	6	19,720
Other debtors and prepayment		74
Cash and cash equivalents		10
Trade and other payables		(3,752)
Deferred tax liabilities	11	(3,382)
Total identifiable net assets		12,680
Non-controlling interest		(5,480)
		7,200
		======
Net cash arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		7,200
Cash acquired from acquisition		(10)
		7,190
		======

34. Acquisition of subsidiaries (continued)

Business combination (continued)

(ii) On 8 August 2012, the Group and the Company subscribed for 15.5 mil ordinary shares of S$1.00 each, representing 60% equity interest in Darco Environmental Pte Ltd. and its subsidiaries with purchase consideration of RM47,848,000.

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

	Note	RM'000
Fair value of consideration transferred		
Cash and cash equivalents		47,848
		=====

	Note	RM'000
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	122
Receivables from concession arrangements		131,544
Inventories		156
Trade and other receivables		19,803
Cash and cash equivalents		1,593
Trade and other payables		(26,390)
Current tax liabilities		(110)
Deferred tax liabilities	11	(2,367)
Borrowings		(26,283)
Total identifiable net assets		98,068
		======
Net cash arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		47,848
Cash and cash equivalents acquired		(1,593)
		46,255
		======

Gain on bargain purchase

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

	RM'000
Total consideration transferred	47,848
Fair value of net identifiable assets	(98,068)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	39,227
	(10,993)
	======

35. 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 210,000 share options for the new options granted in 2012 in the Company pursuant to the ESOS are as follows:

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2012	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2012**
Ooi Cheng Swee	-	750,000	-	-	750,000
Wong Wan Theen	-	210,000	-	-	210,000

36. Explanation of transition to MFRSs

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

36. Explanation of transition to MFRSs (continued)

36.1 Reconciliation of financial position

Group

	Note	1.1.2011 FRSs RM'000	1.1.2011 Effect of Transition to MFRSs RM'000	1.1.2011 MFRSs RM'000
Translation reserves	36.4 (b)	(8,658)	8,658	-
Revaluation reserves	36.4 (a)	150	(150)	-
Retained earnings	36.4 (c)	35,466	(8,508)	26,958

	Note	31.12.2011 FRSs RM'000	31.12.2011 Effect of Transition to MFRSs RM'000	31.12.2011 MFRSs RM'000
Translation reserves	36.4 (b)	6,227	8,658	14,885
Revaluation reserves	36.4 (a)	150	(150)	-
Retained earnings	36.4 (c)	84,743	(8,508)	76,235

36.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There were no material differences between the statements of comprehensive income presented under MFRSs and the statements of comprehensive income presented under FRSs.

36.3 Material adjustments to the statements of cash flows for the year ended 31 December 2011

There were no material differences between the statement of cash flows presented under MFRSs and the statement of cash flows presented under FRSs.

36. Explanation of transition to MFRSs (continued)

36.4 Notes to reconciliations

(a) Property, plant and equipment – Deemed cost exemption – previous revaluation

Under FRSs, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2007.

Upon transition to MFRSs, Group elected to apply the optional exemption to use that previous revaluation as deemed cost under MFRSs. The revaluation reserve after non-controlling interest of RM150,000 at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

The aggregate fair value of the land and buildings at 31 December 2007 was determined to be RM1,110,000 compared to the then carrying amount of RM860,000 under FRSs.

The impact arising from the change is summarised as follows:

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Consolidated statement of financial position		
Revaluation reserve	150	150
Adjustment to retained earnings	150	150

(b) Foreign currency translation differences

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

36. Explanation of transition to MFRSs (continued)

36.4 Notes to reconciliations (continued)

(c) Retained earnings

The changes that affected the retained earnings are as follows:

	Note	Group 1.1.2011 RM'000	Group 31.12.2011 RM'000
Revaluation reserve	a	150	150
Foreign currency translation reserve	b	(8,658)	(8,658)
Decrease in retained earnings		(8,508)	(8,508)

37. Significant event

During the financial year, Salcon Changzhou (HK) Limited ("SCHK") and Changzhou Salcon Wastewater Treatment Company Limited ("CSWT") had on 12 November 2012 terminated a 30 years concession agreement with Changzhou City Tian Ning District Diao Zhuang Street Office ("Changzhou City District Office") which was signed on 21 March 2011. A concession termination agreement has been signed and the parties agreed that Changzhou City District Office is to compensate SCHK and CSWT a net sum of RM31,074,000, payable before 1 November 2015. The net gain arising from the termination is RM348,000.

38. Subsequent event

On 26 April 2013, the Company entered into a Sale and Purchase Agreement with Darco Water Technologies Ltd to acquire 10,307,383 ordinary shares of S$1.00 each fully paid in Salcon Darco Environmental Pte Ltd (formerly known as Darco Environmental Pte Ltd) ("SDE"), representing the remaining 40% of the total issued and paid-up share capital of SDE not owned by the Company, for a cash consideration of approximately RM31,028,000.

39. 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**	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	117,303	108,811	(1,037)	(7,180)
- unrealised	(4,476)	2,075	(5,676)	2,391
	112,827	110,886	(6,713)	(4,789)
Share of retained earnings of associates				
- realised	6,529	6,850	-	-
Share of retained earnings of jointly controlled entities				
- realised	1,496	1,496	-	-
	120,852	119,232	(6,713)	(4,789)
Less: Consolidation adjustments	(41,161)	(34,489)	-	-
Total retained earnings	79,691	84,743	(6,713)	(4,789)

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 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 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 39 on page 121 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: 30 April 2013

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 121 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 30 April 2013.

………………………………..
Law Woo Hock

Before me:

Lee Chin Hin
(W493)
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 2012 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 120.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 593796-T

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 39 on page 121 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Company No. 593796-T

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Peter Ho Kok Wai
Approval Number: 1745/12/13(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 30 April 2013