Salcon Berhad

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

and its subsidiaries

Financial statements for the year ended 31 December 2010

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

Directors' report for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

Principal activities

The Company is principally an investment holding company, 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	21,145	9,476
Minority interests	7,382	-
	28,527	9,476

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 previous financial year, the Company paid a first and final dividend of 1.5 sen per ordinary share, single tier totalling RM7,015,000 in respect of the year ended 31 December 2009 on 23 July 2010.

The first and final dividend of 1.5 sen per ordinary share, single tier recommended by the Directors in respect of the financial year ended 31 December 2010, 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 Goh Eng Toon
Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Dr Freezailah bin Che Yeom
Ho Tet Shin
Dato' Choong Moh Kheng (appointed on 3 January 2011)
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas
(resigned on 16 July 2010)
How See Hock (resigned on 1 January 2011)
Jaggit Singh a/l Tara Singh (demised on 27 June 2010)

Directors' interests

The interests and deemed interests in the ordinary shares, options and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 31 December 2010 (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 1.1.2010	**Acquired**	**Disposed**	**At 31.12.2010**
The Company				
Direct interest				
Dato' Dr Freezailah bin Che Yeom	50,400	-	-	50,400
Dato' Tee Tiam Lee	26,096,400	700,000	-	26,796,400
Dato' Leong Kok Wah	-	700,000	-	700,000
How See Hock	1,787,900	580,000	-	2,367,900
Deemed interest				
Dato' Seri Goh Eng Toon	66,709,600	-	-	66,709,600
Dato' Tee Tiam Lee	29,397,400	-	-	29,397,400
Dato' Leong Kok Wah	200,000	-	-	200,000
Ho Tet Shin	21,400	-	-	21,400
How See Hock	214,900	-	214,900	-

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2010	**Granted**	**Exercised**	**At 31.12.2010**
The Company				
Direct interest				
Dato' Tee Tiam Lee	-	2,100,000	700,000	1,400,000
Dato' Leong Kok Wah	-	2,100,000	700,000	1,400,000
How See Hock	-	1,500,000	500,000	1,000,000

Directors' interests (continued)

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

	Number of Warrants 2007/2014			
	At 1.1.2010	Acquired	Exercised/ Disposed	At 31.12.2010
The Company				
Direct interest				
Dato' Dr Freezailah bin Che Yeom	12,700	-	-	12,700
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
How See Hock	469,950	-	-	469,950
Deemed interest				
Dato' Tee Tiam Lee	7,370,650	-	-	7,370,650
Dato' Seri Goh Eng Toon	16,704,800	-	-	16,704,800
Ho Tet Shin	10,700	-	-	10,700
How See Hock	118,700	-	-	118,700

Directors' benefits

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

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

Issue of shares and debentures

During the financial year, the Company issued 5,827,500 new ordinary shares of RM0.50 each for cash arising from the exercise of employees' share options at a weighted average exercise price of RM0.57 per ordinary share.

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

Warrants 2007/2014

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

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

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

The outstanding Warrants 2007/2014 remain unexercised at the end of the financial year amounting to 104,912,701 (2009: 104,912,701).

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme ("ESOS").

At an extraordinary general meeting held on 23 June 2010, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued and paid up share capital of the Company to eligible Directors and employees of the Group.

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

i) Maximum allowable allotment and basis of allocation

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

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

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

Options granted over unissued shares (continued)

ii) Eligibility to participate in the ESOS

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

(a) he/she is a natural person who is at least eighteen (18) years of age;
(b) he/she is employed full time by and on the payroll of any company in the Group;
(c) in the case of an Executive Director, whose specific allocation has been approved by the shareholders of the Company in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
(d) his/her employment must have been confirmed and he/she is employed by any company in the Group for more than one (1) year on the date of offer (except in respect of the Executive Directors); and
(e) he/she complies fully with any other criteria set by the ESOS Committee.

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

iii) Duration of the ESOS

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

iv) Subscription price

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

Options granted over unissued shares (continued)

iv) Subscription price (continued)

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

		Number of options over ordinary shares of RM0.50 each				
Date of offer	**Exercise price**	**At 1.1.2010**	**Granted**	**Exercised**	**Lapsed**	**At 31.12.2010**
9 July 2010	RM0.57	-	31,498,500	5,827,500	1,240,500	24,430,500

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose in this report the names of persons to whom less than 400,000 options have been granted during the financial year and details of their holdings as required by Section 169(11) of the Companies Act, 1965. This information has 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 granted options to subscribe for 400,000 or more ordinary shares of RM0.50 each are disclosed in Note 38 to the financial statements.

Other statutory information

Before the statements of comprehensive income and statements of financial position 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 Group and in the Company financial statements misleading, or

Other statutory information (continued)

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 gain on disposal of property, plant and equipment as disclosed in Note 21, the financial performance of the Group and of the Company for the financial year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent events

The subsequent events are as disclosed in Note 35 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 Goh Eng Toon

……………………………………………

Dato' Tee Tiam Lee

Kuala Lumpur,

Date: 28 April 2011

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

Statements of financial position at 31 December 2010

	Note	Group 31.12.2010 RM'000	Group 31.12.2009 RM'000 restated	Group 1.1.2009 RM'000 restated	Company 31.12.2010 RM'000	Company 31.12.2009 RM'000
Assets						
Property, plant and equipment	3	340,703	228,119	196,270	-	-
Intangible assets	4	15,705	14,525	13,854	-	-
Prepaid lease payments	5	23,642	22,746	20,868	-	-
Investment properties	6	3,443	4,695	4,720	-	-
Investments in subsidiaries	7	-	-	-	80,675	80,675
Investment in associate	8	30,690	32,128	29,541	-	-
Other investments	10	86	86	2,086	-	-
Deferred tax assets	11	2,420	2,441	4,921	-	-
Total non-current assets		416,689	304,740	272,260	80,675	80,675
Trade and other receivables, including derivatives	12	272,404	287,509	236,138	231,138	171,202
Inventories	13	5,421	3,305	3,277	-	-
Current tax assets		143	91	354	-	-
Assets classified as held for sale	14	653	1,130	7,500	-	-
Cash and cash equivalents	15	145,230	147,519	185,628	2,289	94
Total current assets		423,851	439,554	432,897	233,427	171,296
Total assets		840,540	744,294	705,157	314,102	251,971
Equity						
Share capital		236,774	233,860	233,860	236,774	233,860
Reserves		50,865	67,207	67,721	59,373	57,217
Retained earnings/ (Accumulated losses)		21,833	6,464	(11,298)	(37,002)	(39,463)
Total equity attributable to owners of the Company	16	309,472	307,531	290,283	259,145	251,614
Minority interests		84,546	71,700	57,935	-	-
Total equity		394,018	379,231	348,218	259,145	251,614

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Statements of financial position as at 31 December 2010
(continued)

		Group			Company	
	Note	**31.12.2010 RM'000**	**31.12.2009 RM'000 restated**	**1.1.2009 RM'000 restated**	**31.12.2010 RM'000**	**31.12.2009 RM'000**
Liabilities						
Loans and borrowings	17	40,276	8,964	10,127	38,000	-
Deferred tax liabilities	11	79	-	-	-	-
Total non-current liabilities		40,355	8,964	10,127	38,000	-
Trade and other payables, including derivatives	19	205,519	251,342	194,415	8,930	187
Loans and borrowings	17	195,911	102,110	152,079	8,000	-
Current tax liabilities		4,737	2,647	318	27	170
Total current liabilities		406,167	356,099	346,812	16,957	357
Total liabilities		446,522	365,063	356,939	54,957	357
Total equity and liabilities		840,540	744,294	705,157	314,102	251,971

The notes on pages 19 to 109 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 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	20	418,160	369,873	37,541	10,745
Cost of sales		(344,446)	(297,115)	-	-
Gross profit		73,714	72,758	37,541	10,745
Other income		14,185	4,352	3	10,000
Distribution expenses		(5,167)	(4,182)	(30)	(7)
Administrative expenses		(43,919)	(33,918)	(19,206)	(2,346)
Other expenses		(1,108)	(5,371)	-	(2,000)
Results from operating activities		37,705	33,639	18,308	16,392
Finance income		1,059	2,690	1,405	2,108
Finance costs	23	(5,278)	(6,661)	(796)	(1,374)
Operating profit		33,486	29,668	18,917	17,126
Share of profit after tax of equity accounted associate		3,643	3,790	-	-
Profit before tax		37,129	33,458	18,917	17,126
Income tax expense	24	(8,602)	(7,385)	(9,441)	(5,394)
Profit for the year	21	28,527	26,073	9,476	11,732

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Statements of comprehensive income for the year ended 31 December 2010 (continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Other comprehensive income/ (expense), net of tax					
Foreign currency translation differences for foreign operations		(17,047)	(1,278)	-	-
Other comprehensive income/ (expense) for the year, net of tax	25	(17,047)	(1,278)	-	-
Total comprehensive income for the year		11,480	24,795	9,476	11,732
Profit attributable to:					
Owners of the Company		21,145	22,053	9,476	11,732
Minority interests		7,382	4,020	-	-
Profit for the year		28,527	26,073	9,476	11,732
Total comprehensive income attributable to:					
Owners of the Company		2,647	21,539	9,476	11,732
Minority interests		8,833	3,256	-	-
Total comprehensive income for the year		11,480	24,795	9,476	11,732
Basic earnings per ordinary share (sen)	26	4.51	4.72		
Diluted earnings per ordinary share (sen)	26	4.33	4.72		

The notes on pages 19 to 109 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 2010

		Attributable to Owners of the Company									
		Non-distributable						*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2009		233,860	35,067	22,150	10,354	150	-	(11,298)	290,283	57,935	348,218
Total comprehensive income for the year		-	-	-	(514)	-	-	22,053	21,539	3,256	24,795
Acquisition by minority interests		-	-	-	-	-	-	-	-	12,611	12,611
Dividends to owners	27	-	-	-	-	-	-	(4,291)	(4,291)	-	(4,291)
Dividends to minority interests		-	-	-	-	-	-	-	-	(2,102)	(2,102)
At 31 December 2009/ 1 January 2010		233,860	35,067	22,150	9,840	150	-	6,464	307,531	71,700	379,231

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Statements of changes in equity for the year ended 31 December 2010

(continued)

		← Attributable to Owners of the Company →									
		← *Non-distributable* →						*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Revaluation reserve RM'000**	**Share option reserve RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 31 December 2009/ 1 January 2010		233,860	35,067	22,150	9,840	150	-	6,464	307,531	71,700	379,231
Effect of adopting FRS 139		-	-	-	-	-	-	1,239	1,239	-	1,239
At 1 January 2010, as restated		233,860	35,067	22,150	9,840	150	-	7,703	308,770	71,700	380,470
Total comprehensive income for the year		-	-	-	(18,498)	-	-	21,145	2,647	8,833	11,480
Share options exercised		2,914	407	-	-	-	-	-	3,321	-	3,321
Transfer to share premium for share options exercised	-	971	-	-	-	(971)	-	-	-	-	
Share-based payment transactions	18	-	-	-	-	-	1,749	-	1,749	-	1,749
Subscription of shares by minority interests in subsidiary		-	-	-	-	-	-	-	-	9,412	9,412
Dividends to owners	27	-	-	-	-	-	-	(7,015)	(7,015)	-	(7,015)
Dividends to minority interests		-	-	-	-	-	-	-	-	(5,399)	(5,399)
At 31 December 2010		236,774	36,445	22,150	(8,658)	150	778	21,833	309,472	84,546	394,018
		Note 16	Note 16	Note 16	Note 16	Note 16	Note 16				

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Statements of changes in equity for the year ended 31 December 2010 (continued)

Company	Note	← Non-Distributable			→		
		Share capital RM'000	**Share premium RM'000**	**Warrant reserve RM'000**	**Share option reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 January 2009		233,860	35,067	22,150	-	(46,904)	244,173
Dividends to owners	27	-	-	-	-	(4,291)	(4,291)
Total comprehensive income for the year		-	-	-	-	11,732	11,732
At 31 December 2009/ 1 January 2010		233,860	35,067	22,150	-	(39,463)	251,614
Share options exercised		2,914	407	-	-	-	3,321
Transfer to share premium for share options exercised		-	971	-	(971)	-	-
Share-based payment transactions	18	-	-	-	1,749	-	1,749
Dividends to owners	27	-	-	-	-	(7,015)	(7,015)
Total comprehensive income for the year		-	-	-	-	9,476	9,476
At 31 December 2010		236,774	36,445	22,150	778	(37,002)	259,145
		Note 16	Note 16	Note 16	Note 16		

The notes on pages 19 to 109 are an integral part of these financial statements.

Salcon Berhad
(Company No. 593796-T)
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Statements of cash flows for the year ended 31 December 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit before tax	37,129	33,458	18,917	17,126
Adjustments for:				
Amortisation of intangible assets	364	363	-	-
Amortisation of prepaid lease payments	843	826	-	-
Depreciation of property, plant and equipment	10,984	9,897	-	-
Dividend income	-	-	(37,541)	(10,745)
Finance costs	5,278	6,661	796	1,374
Gain on disposal of property, plant and equipment	(5,922)	(156)	-	-
Finance income	(1,059)	(2,690)	(1,405)	(2,108)
Allowance for diminution in value of investments	-	2,000	-	2,000
Loss on disposal of investment properties	40	-	-	-
Gain on disposal of assets classified as held for sale	(40)	-	-	-
Equity settled share-based payment transactions	1,749	-	322	-
Change in fair value of investment properties	95	180	-	-
Share of profit of equity accounted associate	(3,643)	(3,790)	-	-
Reversal of impairment loss on investment in subsidiary	-	-	-	(10,000)
Property, plant and equipment written off	7	40	-	-
Unrealised (gain)/loss on foreign exchange	(218)	137	13,388	1,275
Operating profit/(loss) before changes in working capital	45,607	46,926	(5,523)	(1,078)
Changes in trade and other receivables	18,955	(51,337)	(51,647)	42,205
Changes in inventories	(2,116)	(28)	-	-
Changes in trade and other payables	(48,267)	56,927	8,743	(303)
Cash generated from/(used in) operations	14,179	52,488	(48,427)	40,824
Interest paid	(5,278)	(6,661)	(796)	(1,374)
Tax paid	(6,464)	(2,312)	(334)	(522)
Net cash generated from/(used in) operating activities	2,437	43,515	(49,557)	38,928

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Statements of cash flows for the year ended 31 December 2010 (continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(119,725)	(42,567)	-	-
Acquisition of investment properties	(54)	(1,285)	-	-
Acquisition of subsidiary, net of cash acquired	(22,558)	8,998	-	-
Prepayment of prepaid leases	(3,344)	(2,968)	-	-
Dividends received from				
- Associated company	5,081	1,203	-	-
- Subsidiaries	-	-	8,041	8,245
Interest received	1,059	2,690	1,405	2,108
Proceeds from disposal of assets classified as held for sale	1,170	7,500	-	-
Proceeds from disposal of investment properties	518	-	-	-
Proceeds from disposal of property, plant and equipment	19,559	214	-	-
Fund placed with debts service reserve account	(2,201)	-	(2,201)	-
Net cash (used in)/generated from investing activities	(120,495)	(26,215)	7,245	10,353
Cash flows from financing activities				
Dividends paid to minority interests	(5,329)	(925)	-	-
Dividends paid to owners of the Company	(7,015)	(4,291)	(7,015)	(4,291)
Proceeds from issuance of equity shares in a subsidiary to minority interests	9,412	1,402	-	-
Net proceeds from issue of share capital	3,321	-	3,321	-
Proceeds from borrowings	219,079	44,284	52,000	-
Repayment of borrowings	(101,159)	(94,520)	(6,000)	(45,000)
Payment of finance lease liabilities	(1,629)	(780)	-	-
Net cash generated from/(used in) financing activities	116,680	(54,830)	42,306	(49,291)
Exchange differences on translation of the financial statements of foreign entities	1,161	289	-	-

Company No. 593796-T

Statements of cash flows for the year ended 31 December 2010

(continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents	(217)	(37,241)	(6)	(10)
Cash and cash equivalents at 1 January	147,312	184,707	94	104
Effect of exchange rate fluctuations on cash held	(7,695)	(154)	-	-
Cash and cash equivalents at 31 December	139,400	147,312	88	94

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	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	88,763	49,266	-	-
Cash and bank balances	56,467	98,253	2,289	94
Bank overdrafts	(3,629)	(207)	-	-
	141,601	147,312	2,289	94
Less : Amount placed with debts service reserve account	(2,201)	-	(2,201)	-
	139,400	147,312	88	94

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM121,011,000 (2009: RM43,948,000), of which RM1,286,000 (2009: RM1,381,000) were acquired by means of finance leases.

Dividends paid to minority interests

In 2009, the Group paid dividends to minority interests amounted RM2,102,000, of which RM1,177,000 was reinvested in the enlarged share capital of a subsidiary.

The notes on pages 19 to 109 are an integral part of these financial statements.

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

Notes to the financial statements

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

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in associates and/or jointly controlled entities. The financial statements of the Company as at and for the year ended 31 December 2010 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.

The financial statements were authorised for issue by the Board of Directors on 28 April 2011.

1. Basis of preparation

(a) Statement of compliance

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

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

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

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

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

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

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for IC Interpretation 17 and IC Interpretation 18 which are not applicable to the Group and the Company; and

- from the annual period beginning 1 January 2012 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for IC Interpretation 19, Amendments to IC Interpretation 14 and IC Interpretation 15 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption other than as disclosed below:

IC Interpretation 12 requires the operator to recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service or a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset. Some contractual terms may give rise to both an intangible asset and a financial asset. The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying IC Interpretation 12 are not disclosed by virtue of the exemptions given in the Interpretation.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group and the Company.

Following the announcement by the MASB on 1 August 2008, the Group’s and the Company’s financial statements will be prepared in accordance with the International Financial Reporting Standards (IFRS) framework for annual periods beginning on 1 January 2012.

1. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements 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 estimate is revised and in any future periods affected.

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

- Note 2(q) - contract revenue
- Note 3 - revaluation of property, plant and equipment
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 6 - valuation of investment properties
- Note 11 - recognition of unutilised tax losses
- Note 12 - valuation of recoverability and impairment of receivables

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, other than those disclosed in the following notes:

- Note 2(c) - Financial instruments
- Note 2(e) - Leased assets
- Note 2(g) - Investment properties
- Note 2(v) - Operating segments

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(ii) 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, unless it is classified as held for sale or included in a disposal group that is classified as held for sale. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

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

Investments in associates are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(iii) Jointly-controlled operation and assets

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

(iv) Changes in Group composition

The Group treats all changes in group composition as equity transactions between the Group and its minority interests 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.

(v) Minority interest

Minority interests at the end of the reporting period, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group is presented on the face of the consolidated statement of comprehensive income as an allocation of the comprehensive income for the year between minority interests and the owners of the Company.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Minority interest (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(vi) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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 date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's other comprehensive income. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated statement of comprehensive income upon disposal of the investment.

2. Significant accounting policies (continued)

(c) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 January 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in note 36.

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in the profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Property, plant and equipment under the revaluation model

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

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

(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 and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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 - 8 years
• fixtures and fittings	10 years
• office equipment	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period.

(e) Leased assets

(i) Finance lease

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

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

(ii) Operating lease

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendments made to FRS 117, *Leases* in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

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.

(f) Intangible assets

(i) Goodwill

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

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

For business acquisitions beginning from 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group are stated 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) Subsequent expenditure

Subsequent expenditure on capitalised 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 expensed as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that they may be impaired.

Intangible assets are amortised from the date that they are available for use. Amortisation of intangible assets is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful live is as follows:

- intangible assets 30 - 50 years

(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 purpose.

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.

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(i) Investment properties carried at fair value (continued)

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.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in profit or loss.

Following the amendment made to FRS 140, *Investment Property*, with effect from 1 January 2010, investment property under construction is classified as investment property. 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.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the 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 the profit or loss.

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

2. Significant accounting policies (continued)

(g) Investments properties (continued)

(iii) Determination of fair value

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

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and 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.

2. Significant accounting policies (continued)

(i) Receivables

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables in accordance with note 2(c).

(j) Non-current assets held for sale

Non-current assets (or disposal groups 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 Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(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 deferred income in the statement of financial position.

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

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

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

(m) Impairment

(i) Financial assets

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

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

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised 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 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 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, assets arising from construction contract, deferred tax asset, 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 or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its 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 units and then to reduce the carrying amount of the other assets in the unit (groups of 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 year in which the reversals are recognised.

(n) Equity instruments

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

(i) Shares issue expenses

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

(ii) Warrant reserve

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

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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

2. Significant accounting policies (continued)

(p) Provisions

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

Contingent liabilities

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

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

(q) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, 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.

(ii) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. 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.

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(ii) Construction contracts (continued)

The stage of completion is assessed by reference to surveys of work performed/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 the profit or loss.

(iii) Rental income

Rental income from investment property is recognised in the 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.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) 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 recognized 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”.

2. Significant accounting policies (continued)

(s) Borrowing costs

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

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

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

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

(t) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 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 apply 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.

2. Significant accounting policies (continued)

(t) Income tax (continued)

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 income 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 convertible notes and share options granted to employees.

(v) Operating segments

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, *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 Executive 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.

Company No. 593796-T

3. Property, plant and equipment

Group Cost/Valuation	Land RM'000	Freehold buildings RM'000	Long term leasehold buildings* RM'000	Plant and machinery* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2009, previously stated	745	409	95,797	81,940	8,351	4,527	23,085	214,854
Effect of adoption of FRS117	6,811	-	-	-	-	-	-	6,811
At 1 January 2009, restated	7,556	409	95,797	81,940	8,351	4,527	23,085	221,665
Additions	-	-	1,611	3,437	1,708	327	36,865	43,948
Disposals	-	-	-	(100)	(562)	(202)	-	(864)
Write-off	-	-	-	-	(68)	-	-	(68)
Effect of movements in exchange rates	-	-	(1,038)	(966)	(36)	(10)	(276)	(2,326)
At 31 December 2009, as restated/ 1 January 2010	7,556	409	96,370	84,311	9,393	4,642	59,674	262,355
Acquisition through business combinations	-	-	20,833	10,007	35	120	-	30,995
Other additions	-	-	26,305	15,253	1,754	655	77,044	121,011
Disposals	(6,400)	-	(7,667)	-	(915)	(29)	-	(15,011)
Write-off	-	-	-	-	-	(62)	-	(62)
Effect of movements in exchange rates	-	-	(6,262)	(5,909)	(220)	(68)	(4,234)	(16,693)
At 31 December 2010	1,156	409	129,579	103,662	10,047	5,258	132,484	382,595
Representing items at:								
Cost	-	-	129,579	103,662	10,047	5,258	132,484	381,030
Valuation	1,156	409	-	-	-	-	-	1,565
At 31 December 2010	1,156	409	129,579	103,662	10,047	5,258	132,484	382,595

Company No. 593796-T

3. Property, plant and equipment (continued)

Depreciation	Land RM'000	Freehold buildings RM'000	Long term leasehold buildings* RM'000	Plant and machinery* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2009, previously stated	-	53	5,987	12,550	3,764	2,874	-	25,228
Effect of adoption of FRS117	167	-	-	-	-	-	-	167
At 1 January 2009, restated	167	53	5,987	12,550	3,764	2,874	-	25,395
Depreciation for the year	106	10	3,070	5,060	1,028	623	-	9,897
Disposals	-	-	-	(81)	(532)	(193)	-	(806)
Write-off	-	-	-	-	(28)	-	-	(28)
Effect of movements in exchange rates	-	-	(69)	(142)	(8)	(3)	-	(222)
At 31 December 2009, as restated/ 1 January 2010	273	63	8,988	17,387	4,224	3,301	-	34,236
Depreciation for the year	55	10	3,295	5,834	1,300	490	-	10,984
Disposals	(266)	-	(401)	-	(699)	(8)	-	(1,374)
Write-off	-	-	-	-	-	(55)	-	(55)
Effect of movements in exchange rates	-	-	(612)	(1,196)	(57)	(34)	-	(1,899)
At 31 December 2010	62	73	11,270	22,025	4,768	3,694	-	41,892

3. Property, plant and equipment (continued)

Carrying amounts	Land RM'000	Freehold buildings RM'000	Long term leasehold buildings* RM'000	Plant and machinery* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2009, as restated	7,389	356	89,810	69,390	4,587	1,653	23,085	196,270
At 31 December 2009, as restated/ 1 January 2010	7,283	346	87,382	66,924	5,169	1,341	59,674	228,119
At 31 December 2010	1,094	336	118,309	81,637	5,279	1,564	132,484	340,703
Representing items at:								
Cost	-	-	118,309	81,637	5,279	1,564	132,484	339,273
Valuation	1,094	336	-	-	-	-	-	1,430
At 31 December 2010	1,094	336	118,309	81,637	5,279	1,564	132,484	340,703

* Included in long term leasehold buildings and plant and machinery are water treatment plants in China with carrying amount of RM199,444,000 (2009: RM146,819,000).

3. Property, plant and equipment (continued)

Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease agreements with net book value of RM3,621,000 (2009: RM2,551,000).

Borrowing costs

Included in property, plant and equipment under construction of the Group are interests capitalised at rate of 6% per annum for the year of RM3,732,000 (2009: 763,000).

Property, plant and equipment under the revaluation model

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

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Leasehold land	349	365
Freehold land and building	628	631
	977	996

In the previous year, long term leasehold land and building of the Group with carrying amount amounting to RM6,185,000 and RM7,343,000 respectively were charged to a licensed bank to secure a term loan granted to a subsidiary as disclosed in Note 17. During the current financial year, the subsidiary had fully repaid the term loan upon disposal of the long term leasehold land and building.

Land

Included in the carrying amounts of land are:

	Group	
	2010	**2009**
	RM'000	**RM'000**
		restated
Freehold land	745	745
Long term leasehold land	349	6,538
	1,094	7,283

3. Property, plant and equipment (continued)

Land (continued)

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS 117, *Leases*, where leasehold land, in substance is a finance lease, has been reclassified from prepaid lease payments to property, plant and equipment.

4. Intangible assets

Group	**Note**	**Goodwill RM'000**	**Intangible assets RM'000**	**Total RM'000**
Cost				
At 1 January 2009		3,683	10,597	14,280
Acquisition through business combinations	34	-	1,034	1,034
At 31 December 2009/1 January 2010		3,683	11,631	15,314
Acquisition through business combinations	34	-	1,544	1,544
At 31 December 2010		3,683	13,175	16,858
Amortisation				
At 1 January 2009		-	426	426
Amortisation for the year		-	363	363
At 31 December 2009/1 January 2010		-	789	789
Amortisation for the year		-	364	364
At 31 December 2010		-	1,153	1,153
Carrying amounts				
At 1 January 2009		3,683	10,171	13,854
At 31 December 2009/1 January 2010		3,683	10,842	14,525
At 31 December 2010		3,683	12,022	15,705

4. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

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

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

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

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

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

- Cash flows were projected based on past experience and actual operating results in both 2009 and 2010. Cash flows for the remaining concession period ranging from 25 - 42 year period were extrapolated using an average growth rate of 6 percent (2009: 6 percent). Management believes that this forecast period was justified due to the 30 and 50 years water concession rights of the subsidiaries in China.

- A pre-tax discount rate of 10 percent (2009: 10 percent) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the industry's borrowing rate.

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

The intangible assets of the Group comprised the water concession rights of 30 years for subsidiaries in China, namely, Linyi Salcon Water Company Limited, Haining Salcon Water Company Limited, Nan An Salcon Water Company Limited, Changle Salcon Raw Water Company Limited and Jiangsu Salcon Water & Environmental Development Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited.

5. Prepaid lease payments

Group	Leasehold land Unexpired period less than 50 years RM'000
Cost	
At 1 January 2009, previously stated	30,699
Effect of adoption of FRS117	(6,811)
At 1 January 2009, restated	23,888
Additions	2,968
Effect of movements in exchange rates	(300)
At 31 December 2009, restated/1 January 2010	26,556
Additions	3,344
Effect of movements in exchange rates	(1,778)
At 31 December 2010	28,122
Amortisation	
At 1 January 2009, previously stated	3,187
Effect of adoption of FRS117	(167)
At 1 January 2009, restated	3,020
Amortisation for the year	826
Effect of movements in exchange rates	(36)
At 31 December 2009, restated/1 January 2010	3,810
Amortisation for the year	843
Effect of movements in exchange rates	(173)
At 31 December 2010	4,480

5. Prepaid lease payments (continued)

	Leasehold land Unexpired period less than 50 years RM'000
Carrying amounts	
At 1 January 2009, restated	20,868
	=====
At 31 December 2009, restated/1 January 2010	22,746
	=====
At 31 December 2010	23,642
	=====

The Group has leasehold land in the People's Republic of China where the Group's subsidiaries' water treatment plants reside. The leasehold land with remaining lease tenures ranging from 25 to 42 years (2009: 26 to 43 years) respectively.

6. Investment properties

		Group	
	Note	2010 RM'000	2009 RM'000
At 1 January		4,695	4,720
Acquisitions		54	1,285
Disposal		(558)	-
Transfer to assets held for sale	14	(653)	(1,130)
Change in fair value		(95)	(180)
At 31 December		3,443	4,695
		====	====

Included in the above are:

	Group	
	2010 RM'000	2009 RM'000
Freehold land	230	230
Freehold land and buildings	2,642	3,180
Leasehold land and buildings with unexpired lease period of more than 50 years	571	1,285
	3,443	4,695
	=====	====

6. Investment properties (continued)

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

	Group 2010 RM'000	Group 2009 RM'000
Rental income	57	91
Direct operating expenses:		
- income generating investment properties	23	66
- non-income generating investment properties	7	8
	====	====

The titles to freehold land and buildings and leasehold land and buildings with unexpired lease period of more than 50 years with carrying amounts of RM2,642,000 and RM571,000, respectively are in the process of being transferred to the subsidiaries.

The Directors estimate the fair value of investment properties based on comparable market value of similar properties. Based on the Directors' estimation, the fair value of the investment properties approximates their carrying amounts at 31 December 2010 and 31 December 2009.

7. Investments in subsidiaries

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost	80,265	80,265
Unquoted preference shares, at cost	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)
	80,675	80,675
	=====	=====

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	Effective ownership interest 2009
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%
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant.	51%	51%
Salcon Linyi (HK) Limited ^	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Zhejiang (HK) Limited ^	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Fujian (HK) Limited ^	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Jiangsu (HK) Limited ^	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Shandong (HK) Limited ^	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary.	100%	100%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	Effective ownership interest 2009
Salcon Services (HK) Limited ^	Hong Kong	Investment holding company involved in investment advisory in the People's Republic of China via its subsidiary.	100%	100%
Salcon Water (HK) Limited ^	Hong Kong	Dormant	100%	100%
Salcon Water International Limited ^	Hong Kong	Dormant	100%	100%
Salcon Water (Asia) Limited ^	Hong Kong	Dormant	100%	100%
Salcon Capital Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon Water International Pte. Ltd. ^	Singapore	Dormant	100%	100%
Salcon Changzhou (HK) Limited # (formerly known as Greatwall Capital Resources Limited)	Hong Kong	Dormant	100%	-
Kingstone Enterprise Group Limited #	Hong Kong	Dormant	100%	-
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd.	Malaysia	Marketing, sales and servicing of equipment for water and palm oil industries.	100%	100%
Precise Metal Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon Power Sdn. Bhd.	Malaysia	Dormant	100%	100%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	2009
Subsidiaries of Salcon Engineering Berhad: (continued)				
Salcon Resources Sdn. Bhd.	Malaysia	Dormant	100%	100%
Bumi Tiga Enterprise Sdn. Bhd.	Malaysia	Investment holding	100%	100%
Salcon (Sarawak) Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon Environmental Services Sdn. Bhd.	Malaysia	Operation and maintenance of water treatment plants.	100%	100%
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants.	60%	60%
Salcon Corporation Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon (Perak) Sdn. Bhd. @	Malaysia	Dormant	40%	40%
Salcon Infrastructure Sdn. Bhd.	Malaysia	Dormant	100%	100%
Glitteria Sdn. Bhd. @	Malaysia	Provision of engineering works	50%	50%
Salcon Holdings (Mauritius) Limited ^	Mauritius	Investment holding	100%	100%
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100%	100%

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7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	2009
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon Building Services Sdn. Bhd.	Malaysia	Property investment	100%	100%
Eagle Metalizing & Coatings Company Sdn. Bhd. *	Malaysia	Dormant	60%	60%
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.	60%	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.	60%	60%
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.	60%	60%
Subsidiary of 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.	65%	65%

7. Investments in subsidiaries (continued)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2010	Effective ownership interest 2009
Subsidiary of 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%
Subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited:				
Yizheng Rong Xin Wastewater Treatment Company Limited ^	People's Republic of China	Management and operation of wastewater treatment plant in Yizheng city.	67%	-
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.	100%	100%
Changle Salcon Raw Water Company Limited.^	People's Republic of China	Design, build and operate of water transmission in Changle County, Shandong Province.	100%	100%
Subsidiary of Salcon Services (HK) Limited:				
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	100%	100%
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%

7. Investments in subsidiaries (continued)

^ Audited by other firm of accountants.

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

The financial statements of these subsidiaries were not audited as the subsidiaries were acquired during the financial year and were not required to prepare audited financial statements as at 31 December 2010. Accordingly, these subsidiaries were consolidated based on management financial statements.

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

8. Investment in associate

	Group 2010 RM'000	Group 2009 RM'000
Unquoted shares, at cost	11,800	11,800
Unquoted preference shares, at cost	10,000	10,000
Share of post-acquisition profits	8,890	10,328
	30,690	32,128

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

2010	Country of incorporation	Effective ownership interest	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
EUC*	Malaysia	40%	23,632	9,107	67,078	885
2009						
EUC*	Malaysia	40%	25,838	9,475	65,830	1,597

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

9. Investment in jointly controlled entity

Details of jointly controlled entities are as follows:

	Principal activities	Proportion of ownership interest 2010	2009
WET - Envitech Joint Venture	Construction of sewage treatment plants, project management on sewage treatment plants and related activities.	50%	50%
Hydrotek - Salcon Joint Venture	Construction of Min Buri Water distribution pumping station.	49%	49%
Salcon - WHS Joint Venture	Undertaking projects in water development in the State of Sabah.	60%	60%

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

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

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

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

10. Other investments

Group	**Total**	**Unquoted shares**	**Other investment**
2010	**RM'000**	**RM'000**	**RM'000**
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
2009			
Non-current			
At cost	4,815	175	4,640
Less: Impairment loss	(4,729)	(175)	(4,554)
	86	-	86
Company			
2010			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
2009			
Non-current			
At cost	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets resulting from the adoption of FRS 139 by virtue of the exemption given in FRS 7.44AA.

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	-	-	(520)	(434)	(520)	(434)
Provisions	590	604	-	-	590	604
Other items	-	-	(126)	(126)	(126)	(126)
Tax losses carry-forwards	2,397	2,397	-	-	2,397	2,397
Tax assets/(liabilities)	2,987	3,001	(646)	(560)	2,341	2,441
Set off of tax	(567)	(560)	567	560	-	-
Net tax assets	2,420	2,441	(79)	-	2,341	2,441

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 RM9.6 million will not be available to the Group, resulting in a decrease in net deferred tax assets of RM2.3 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	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unabsorbed capital allowance	40	40	-	-
Unutilised tax losses	702	690	-	-
	742	730	-	-

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 1.1.2009 RM'000**	**Recognised in profit or loss (note 24) RM'000**	**At 1.1.2010 RM'000**	**Recognised in profit or loss (note 24) RM'000**	**At 31.12.2010 RM'000**
Property, plant and equipment	(328)	(106)	(434)	(86)	(520)
Provisions	233	371	604	(14)	590
Other items	-	(126)	(126)	-	(126)
Tax losses carry-forwards	5,016	(2,619)	2,397	-	2,397
	4,921	(2,480)	2,441	(100)	2,341

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12. Trade and other receivables, including derivatives

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Trade					
Trade receivables		127,400	121,342	-	-
Less: Allowance for impairment losses		(23,553)	(23,669)	-	-
	12.1	103,847	97,673	-	-
Amount due from contract customers	12.2	112,931	147,686	-	-
		216,778	245,359	-	-
Non-trade					
Amount due from associate	12.3	1	146	-	-
Amount due from subsidiaries	12.4	-	-	230,434	171,202
Other receivables	12.5	48,943	32,600	-	-
Deposits		1,790	761	-	-
Prepayments		4,800	8,643	704	-
Financial assets at fair value through profit or loss:					
- Held for trading, including derivatives		92	-	-	-
		55,626	42,150	231,138	171,202
		272,404	287,509	231,138	171,202

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

12.1 Included in trade receivables of the Group are retention sums amounting to RM13,956,000 (2009: RM10,898,000) relating to construction work in progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Within 1 year	100	1,096	-	-
1 - 2 years	3,473	1,961	-	-
2 - 3 years	4,774	905	-	-
3 - 4 years	932	4,385	-	-
4 - 5 years	4,677	2,551	-	-
	13,956	10,898	-	-

12.2 Amount due from contract customers

	Group 2010 RM'000	Group 2009 RM'000
Aggregate costs incurred to date	908,511	822,622
Add: Attributable profit	136,839	126,470
	1,045,350	949,092
Less: Progress billings	(947,689)	(812,363)
	97,661	136,729
Amount due to contract customers (Note 19)	15,270	10,957
Amount due from contract customers	112,931	147,686

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM6,862,000 (2009: RM4,499,000) and RM1,273,000 (2009: RM414,000) respectively.

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

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

12.4 The amount due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM65 million (2009: RM39 million) which bear interest ranging from 2% to 5.20% (2009: 2%) per annum.

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

i) RM15,700,000 (2009: RM13,600,000) being advance payments to sub-contractors/suppliers of subsidiaries which was paid in accordance with the terms of the contract.

ii) RM4,456,000 (2009: RM3,107,000) being pre-commencement projects expenses incurred in new projects. These amounts will be charged out to projects upon commencement of the projects in 2011.

iii) Allowance for impairment losses amounting to RM132,000 (2009: RM142,000).

iv) Advances paid to contractors in constructing the water treatment plants in China amounted to RM3.1 million (2009: RM2.7 million).

v) Advances amounting to RM14 million (2009: Nil) paid to a joint venture partner of a subsidiary in arranging advance payment to the respective sub-contractors for construction of water transmission project.

13. Inventories

	Group	
	2010	**2009**
	RM'000	**RM'000**
At cost:		
Raw materials and consumables	4,886	2,839
Spares	535	466
	5,421	3,305

In 2010, inventories recognised as cost of sales amounted to RM6,111,000 (2009: RM7,151,000).

14. Assets classified as held for sale

	Note	Group RM'000
Assets classified as held for sale		
At 1 January 2009		7,500
Transfer from investment properties	6	1,130
Disposal		(7,500)
At 31 December 2009/1 January 2010		1,130
Transfer from investment properties	6	653
Disposal		(1,130)
At 31 December 2010		653

During the current financial year, the Company disposed the investment properties for a total consideration of RM1,170,000 to a third party.

As at 31 December 2010, leasehold land and building is presented as assets held for sale pursuant to Sale and Purchase Agreements entered into by a subsidiary with third parties to dispose of the assets. Efforts to sell the assets have commenced prior to the end of the reporting period, and the sales are expected to be completed in 2011.

15. Cash and cash equivalents

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits placed with licensed banks				
- Malaysia	37,684	17,605	-	-
- Outside Malaysia	51,079	31,661	-	-
	88,763	49,266	-	-
Cash and bank balances				
- Malaysia	18,118	9,748	2,289	94
- Outside Malaysia	38,349	88,505	-	-
	56,467	98,253	2,289	94
	145,230	147,519	2,289	94

Included in the cash and bank balances in 2010 is RM2,201,200 (2009: Nil) placed in a debts service reserve account with restricted withdrawal of fund.

15. Cash and cash equivalents (continued)

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

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Ringgit Malaysia (RM)	45,764	26,761	2,289	94
Renminbi (RMB)	87,992	107,534	-	-
U.S. Dollar (USD)	5,485	7,134	-	-
Japanese Yen (JPY)	23	57	-	-
Vietnamese Dong (VND)	1,848	5,247	-	-
Sri Lanka Rupee (LKR)	2,901	561	-	-
Thai Baht (THB)	69	137	-	-
Hong Kong Dollar (HKD)	27	15	-	-
Euro (EUR)	990	3	-	-
Indonesian Rupiah (IDR)	8	6	-	-
Indian Rupees (Rs)	123	64	-	-
	145,230	147,519	2,289	94

16. Capital and reserves

Share capital

	Group and Company Amount 2010 RM'000	Number of shares 2010 '000	Amount 2009 RM'000	Number of shares 2009 '000
Authorised:				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
Issued and fully paid:				
Ordinary shares of RM0.50 each				
At 1 January	233,860	467,720	233,860	467,720
Issue of shares under the Employee Share Option Scheme	2,914	5,828	-	-
At 31 December	236,774	473,548	233,860	467,720

16. Capital and reserves (continued)

The Company has issued share options (see note 18).

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 foreign operations.

Revaluation reserve

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

Share option reserve

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

Section 108 tax credit

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

17. Loans and borrowings

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Finance lease liabilities	2,276	2,784	-	-
Term loans (unsecured)	38,000	-	38,000	-
Term loan (secured)	-	6,180	-	-
	40,276	8,964	38,000	-
Current				
Bank overdrafts (unsecured)	3,629	207	-	-
Bankers' acceptances (unsecured)	1,726	11,428	-	-
Revolving credits (unsecured)	4,444	8,198	-	-
Term loans (unsecured)	184,585	79,583	8,000	-
Term loan (secured)	-	1,540	-	-
Finance lease liabilities	1,527	1,154	-	-
	195,911	102,110	8,000	-

Included in unsecured term loans of the Group is RM16,875,000 (2009: RM18,157,000) being long term loan obtained from Linyi Municipal Government which bear interest at rate of 2.55% (2009: 2.55%) per annum.

The loans and borrowings of the Group amounting to RM155,606,000 (2009: RM60,793,000) is reflected as current despite having repayment terms of more than 1 year. The loans are classified as current liabilities as these loan agreements of the subsidiaries included a callable clause that permits the banks to demand for immediate repayment, notwithstanding that there may be no event of default. The repayment terms are as follows:

17. Loans and borrowings (continued)

17.1 Terms and debts repayment schedule

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

Group 2009	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Bank overdrafts	2010	207	207	-	-	-
Bankers' acceptances	2010	11,428	11,428	-	-	-
Revolving credits						
- RM	2010	4,418	4,418	-	-	-
- RMB	2010	3,780	3,780	-	-	-
Term loans						
- RM	2010 - 2014	7,720	1,540	1,540	4,640	-
- RMB	2010 - 2015	79,583	18,790	21,569	21,067	18,157
Finance lease liabilities	2010 - 2015	3,938	1,154	1,192	1,592	-
		111,074	41,317	24,301	27,299	18,157

Company 2010	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Term loan						
- RM	2011 - 2016	46,000	8,000	8,000	30,000	-

17. Loans and borrowings (continued)

17.2 Security

In 2009, one of the term loans of the Group was secured over a building with a carrying amount of RM7,343,000 and leasehold land with a carrying amount of RM6,185,000. During the current financial year, the subsidiary had fully repaid the term loan.

The facilities granted to the subsidiaries are guaranteed by the Company.

17.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**Future minimum lease payments 2010 RM'000**	**Interest 2010 RM'000**	**Present value of minimum lease payments 2010 RM'000**	**Future minimum lease payments 2009 RM'000**	**Interest 2009 RM'000**	**Present value of minimum lease payments 2009 RM'000**
Less than one year	1,701	(174)	1,527	1,339	(185)	1,154
Between one and five years	2,410	(134)	2,276	2,986	(202)	2,784
	4,111	(308)	3,803	4,325	(387)	3,938

18. Employee benefits

Equity compensation benefits

Share option plan

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

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

Grant date/employees entitled	Number of instruments '000	Vesting conditions	Contractual life of options
Option granted to Executive Directors and eligible employees on 9 July 2010		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
Total share options	31,499		

18. Employee benefits (continued)

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

	Weighted average exercise price RM	Group and Company 2010 '000
Granted	0.57	31,499
Lapsed	0.57	(1,241)
Exercised	0.57	(5,828)
Outstanding at 31 December	0.57	24,430

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	2010
Fair value at grant date	RM0.17
Weighted average share price	RM0.64
Exercise price	RM0.57
Expected volatility (weighted average volatility)	3.24%
Option life (expected weighted average life)	5 years
Risk-free interest rate (based on Malaysian government bonds)	3.96%

Value of employee services received for issue of share options

	Group 2010 RM'000	Company 2010 RM'000
Share options granted in 2010	1,749	322

19. Trade and other payables, including derivatives

		Group		Company	
		2010	2009	2010	2009
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables	19.1	91,990	108,149	-	-
Amount due to contract customers (Note 12)		15,270	10,957	-	-
		107,260	119,106	-	-
Non-trade					
Amount due to associate	19.2	1	277	-	-
Amount due to subsidiaries	19.3	-	-	8,132	-
Other payables	19.4	82,156	129,921	739	-
Accrued expenses		849	2,038	59	187
Deferred income	19.5	15,501	-	-	-
Financial liabilities at fair value through profit or loss:					
- Held for trading, including derivatives		(248)	-	-	-
		98,259	132,236	8,930	187
		205,519	251,342	8,930	187

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

Currencies	2010 RM'000	2009 RM'000
Sri Lanka Rupee (LKR)	14,925	1,695
Vietnamese Dong (VND)	2,077	2,980
Australia Dollar (AUD)	1,342	-
Thai Baht (THB)	645	642
U.S. Dollar (USD)	15	41,836
Euro (EUR)	7,335	36,447
Japanese Yen (JPY)	23,758	32,303

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

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

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

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

i) RM19.5 million (2009: RM23.2 million) being amount payable to the Linyi Municipal Government for the acquisition of water related assets.

ii) Advances received from contract customers amounting to RM40.6 million (2009: RM72.9 million) being mobilisaton costs received in advance in accordance with terms of the contracts.

iii) Dividend payable by a subsidiary to minority interest of RM280,000 (2009: RM219,000).

iv) RM16.9 million (2009: RM18.2 million) being advances received from a joint venture partner of a subsidiary. The advance bears interest at 1.5% (2009: 1.5%) per annum, unsecured and repayable on demand.

19.5 The deferred income relates to government grant received from the Government of China amounting to RM15.5 million (2009: Nil) for the water concession investment in China. The amount will be recognised in profit or loss over the remaining concession period of 25 years.

Included in other payables of the Group in 2009 was RM15 million being advance received from a joint venture partner of a subsidiary. The advance is subject to interest at 5% per annum and repayable upon demand.

20. Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Contract revenue	366,478	366,786	-	-
Invoiced sales	51,682	3,087	-	-
Dividends	-	-	37,541	10,745
	418,160	369,873	37,541	10,745

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21. Profit for the year

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Profit for the year is arrived at after charging:				
Allowance for diminution in value of investments	-	2,000	-	2,000
Allowance for impairment losses				
-Trade receivables	1,013	3,191	-	-
Amortisation of intangible assets	364	363	-	-
Amortisation of prepaid lease payments	843	826	-	-
Auditors' remuneration:				
-Audit fees				
- KPMG Malaysia	206	173	40	40
- Other auditors	162	138	-	-
- Non-audit fees				
- KPMG Malaysia	25	10	-	-
Depreciation of property, plant and equipment	10,984	9,897	-	-
Change in fair value of investment properties	95	180	-	-
Loss on disposal of investment properties	40	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	2,072	1,664	253	-
- Share-based payments	1,749	-	322	-
- Wages, salaries and others	32,686	28,080	2,650	-
Property, plant and equipment written off	7	40	-	-
Realised loss on foreign exchange	-	171	-	-
Rental of premises	1,023	677	-	-
Unrealised loss on foreign exchange	-	137	13,388	1,275
	=====	====	=====	=====

21. Profit for the year (continued)

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
and after crediting:				
Allowance for impairment losses no longer required - Trade receivables	325	45	-	-
Dividend income from subsidiaries (unquoted)	-	-	37,541	10,745
Gain on disposal of property, plant and equipment	5,922	156	-	-
Gain on disposal of assets classified as held for sale	40	-	-	-
Finance income:				
- Subsidiaries	-	-	1,405	1,456
- Others	1,059	2,690	-	652
Realised gain on foreign exchange	2,082	21	-	-
Rental income on premises	1,023	1,209	-	-
Rental income on investment properties	57	91	-	-
Reversal of impairment loss on investment in subsidiary	-	-	-	10,000
Unrealised gain on foreign exchange	218	-	-	-
	=====	=====	=====	=====

22. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	136	169	136	169
- Remuneration	4,147	2,121	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	296	128	-	-
- Share-based payments	555	-	150	-
	5,134	2,418	286	169
	=====	=====	=====	=====

23. Finance costs

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Finance costs on:				
- Bank overdraft	93	46	-	-
- Loans	8,392	7,076	796	1,374
- Other borrowings	525	302	-	-
	9,010	7,424	796	1,374
Less: Capitalised on qualifying assets				
- property, plant and equipment	(3,732)	(763)	-	-
	5,278	6,661	796	1,374

24. Income tax expense

Recognised in the profit or loss

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Income tax expense	8,602	7,385	9,441	5,394
Current tax expense				
Malaysian - current year	4,322	4,261	9,446	2,971
- prior year	(195)	95	(5)	2,423
Overseas - current year	4,375	446	-	-
- prior year	-	103	-	-
Total current tax expense	8,502	4,905	9,441	5,394
Deferred tax expense				
Origination and reversal of temporary differences	100	1,794	-	-
Under provision from prior years	-	686	-	-
Total deferred tax expense	100	2,480	-	-
Total income tax expense	8,602	7,385	9,441	5,394

24. Income tax expense (continued)

Recognised in the profit or loss (continued)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	28,527	26,073	9,476	11,732
Total income tax expense	8,602	7,385	9,411	5,394
Profit excluding tax	37,129	33,458	18,887	17,126
Income tax calculated using Malaysian tax rate of 25% (2009: 25%)	9,282	8,364	4,729	4,281
Effect of tax rates in foreign jurisdiction	(2,954)	(2,380)	-	-
Non-deductible expenses	5,115	2,436	4,866	1,376
Tax exempt income	(1,735)	(870)	(149)	(2,686)
Other items	(911)	(1,049)	-	-
	8,797	6,501	9,446	2,971
(Over)/Under provision in prior years	(195)	884	(5)	2,423
	8,602	7,385	9,441	5,394

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

25. Other comprehensive income/(expenses)

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

2009	**Before tax RM'000**	**Tax RM'000**	**Net of tax RM'000**
Foreign currency translation differences for foreign operations			
- Gains arising during the year	(1,278)	-	(1,278)

26. Earnings per ordinary share - Group

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to owners of the Company of RM21,145,000 (2009: RM22,053,000) and the weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2010 ’000	**2009 ’000**
Issued ordinary shares at 1 January	467,720	467,720
Effect of shares issued	657	-
Weighted average number of ordinary shares at 31 December	468,377	467,720

	2010 sen	**2009 sen**
Basic earnings per share	4.51	4.72

Diluted earnings per share

	2010 ’000	**2009 ’000**
Issued ordinary shares at 1 January	467,720	467,720
Effect of shares issued	657	-
Weighted average number of ordinary shares at 31 December	468,377	467,720
Effect of share options on issue	20,103	-
Weighted average number of ordinary shares (diluted) at 31 December	488,480	467,720

	2010 sen	**2009 sen**
Diluted earnings per share	4.33	4.72

27. Dividends

Dividends recognised in the current year by the Company are:

2010	**Sen per share**	**Total amount RM'000**	**Date of payment**
Final 2009 ordinary (single tier)	1.50	7,015	23 July 2010
Total amount		7,015	
2009			
Final 2008 ordinary (tax exempted)	0.67	3,134	23 July 2009
Final 2008 ordinary (net of tax)	0.25	1,157	23 July 2009
Total amount		4,291	

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

	Sen per share
Final ordinary (single tier)	1.5

28. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive 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 Executive 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 Executive 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 Executive 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.

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28. Operating segments (continued)

	Constructions 2010 RM'000	Concessions 2010 RM'000	Trading 2010 RM'000	Total 2010 RM'000
Segment profit	20,171	35,612	12,826	68,609
Included in the measure of segment profit are:				
Revenue from external customers	272,917	92,472	52,771	418,160
Share of profit of associate	-	3,643	-	3,643
Not included in the measure of segment profit but provided to Chief Executive Officer:				
Depreciation and amortisation	(1,382)	(10,283)	(162)	(11,827)
Finance costs	(1,399)	(3,625)	(254)	(5,278)
Finance income	582	475	2	1,059
Income tax expense	(3,793)	(3,052)	(1,757)	(8,602)
Segment assets	303,722	520,810	16,008	840,540
Included in the measure of segment assets are:				
Investment in associate	-	30,690	-	30,690
Additions to non-current assets other than financial instruments and deferred tax assets	2,199	156,845	2	159,046

28. Operating segments (continued)

	Constructions 2009 RM'000	Concessions 2009 RM'000	Trading 2009 RM'000	Total 2009 RM'000
Segment profit	21,590	35,760	1,354	58,704
Included in the measure of segment profit are:				
Revenue from external customers	274,056	88,913	6,904	369,873
Share of profit of associate	-	3,790	-	3,790
Not included in the measure of segment profit but provided to Chief Executive Officer:				
Depreciation and amortisation	(1,224)	(9,202)	(297)	(10,723)
Finance costs	(1,694)	(4,571)	(396)	(6,661)
Finance income	1,871	812	7	2,690
Income tax expense	(6,057)	(1,003)	(325)	(7,385)
Segment assets	326,276	399,738	18,280	744,294
Included in the measure of segment assets are:				
Investment in associate	-	32,128	-	32,128
Additions to non-current assets other than financial instruments and deferred tax assets	2,366	41,578	4	43,948

28. Operating segments (continued)

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

	2010 RM'000	2009 RM'000
Profit		
Total profit or loss for reportable segments	68,609	58,704
Depreciation and amortisation	(11,827)	(10,723)
Finance costs	(5,278)	(6,661)
Finance income	1,059	2,690
Unallocated expenses:		
Corporate expenses	(15,434)	(10,552)
Consolidated profit before tax	37,129	33,458

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 2010 RM'000	Non current assets 2010 RM'000	Revenue 2009 RM'000	Non-current assets 2009 RM'000
Malaysia	273,046	23,250	203,289	37,805
China	66,403	360,176	60,706	232,272
Sri Lanka	48,997	-	31,174	-
Vietnam	28,960	-	72,137	-
Other countries	754	153	2,567	94
	418,160	383,579	369,873	270,171

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29. Financial instruments

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

29.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2010				
Financial assets				
Group				
Other investments	86	-	86	-
Trade and other receivables, including derivatives	267,604	267,512	-	92
Cash and cash equivalents	145,230	145,230	-	-
	412,920	412,742	86	92
Company				
Trade and other receivables	230,434	230,434	-	-
Cash and cash equivalents	2,289	2,289	-	-
	232,723	232,723	-	-
Financial liabilities				
Group				
Loans and borrowings	(236,187)	(236,187)	-	-
Trade and other payables, including derivatives	(205,519)	(205,767)	-	248
	(441,706)	(441,954)	-	248
Company				
Loans and borrowings	(46,000)	(46,000)	-	-
Trade and other payables	(8,930)	(8,930)	-	-
	(54,930)	(54,930)	-	-

29. Financial instruments (continued)

29.2 Net gains and losses arising from financial instruments

	Group 2010 RM'000	Company 2010 RM'000
Net gains/(losses) arising on:		
Loans and receivables	2,727	(10,263)
Financial liabilities measured at amortised cost	(5,278)	(796)
	(2,551)	(11,059)

29.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

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

29.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

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

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

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
Domestic	141,158	142,234
Sri Lanka	28,175	44,732
Vietnam	49,130	66,512
China	47,961	24,338
Others	1,180	1,050
	267,604	278,866

At date of statement of financial position, there were no significant concentrations of credit risk except for ten (2009: six) major project debts which accounted for 69% (2009: 61%) 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 53% (2009: 39%) of net trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group and the Company are highly dependent on the domestic and overseas water and waste water industries.

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29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Impairment losses

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

Group	Gross	Individual impairment	Collective impairment	Net
	RM'000	RM'000	RM'000	RM'000
2010				
Not past due	152,854	-	-	152,854
Past due 0 - 30 days	11,150	-	-	11,150
Past due 31 - 120 days	15,519	-	-	15,519
Past due more than 120 days	60,808	(23,553)	-	37,255
	240,331	(23,553)	-	216,778

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

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

	2010 RM'000
At 1 January	(23,669)
Impairment loss recognised	(1,013)
Impairment loss reversed	325
Impairment loss written off	804
At 31 December	(23,553)

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM93,975,000 (2009: RM88,879,000) and RM533,213,000 (2009: RM473,594,000) representing the outstanding amount and the gross banking facilities of the subsidiaries as at end of the reporting period.

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

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

29. Financial instruments (continued)

29.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

29.5 Liquidity risk

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

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

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29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2010							
Non-derivative financial liabilities							
Unsecured bank facilities	228,755	2.25% to 5.50%	279,118	43,884	48,331	129,184	57,719
Bank overdraft	3,629	6.55% to 8.05%	3,629	3,629	-	-	-
Finance lease liabilities	3,803	2.25% to 3.77%	4,111	1,700	1,357	1,054	-
Trade and other payables	205,767		205,767	205,767	-	-	-
	441,954		492,625	254,980	49,688	130,238	57,719
Company							
2010							
Non-derivative financial liabilities							
Unsecured bank facility	46,000	5.20% to 5.50%	48,530	8,440	8,440	31,650	-
Trade and other payables	8,930		8,930	-	-	-	-
	54,930		57,460	8,440	8,440	31,650	-

29. Financial instruments (continued)

29.6 Market risk

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

29.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

			Denominated in			
Group	**AUD RM'000**	**EUR RM'000**	**USD RM'000**	**JPY RM'000**	**VND RM'000**	**LKR RM'000**
2010						
Trade receivables	-	14	3,071	4,660	2,153	3,290
Cash and cash equivalents	-	990	5,485	23	1,848	2,901
Unsecured bank loans	-	-	-	-	-	-
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)

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Currency risk sensitivity analysis

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

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

	Equity RM'000	**Profit or loss RM'000**
	(1,032)	(1,376)
	=====	=====

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

29.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest rate risk (continued)

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 2010 RM'000	Company 2010 RM'000
Fixed rate instruments		
Financial assets	88,763	49,266
	======	=====
Floating rate instruments		
Financial liabilities	232,385	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.

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
Floating rate instruments	(2,324)	2,324	(460)	460
	=====	=====	=====	=====

29. Financial instruments (continued)

29.7 Fair value of financial instruments

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

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

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

	2010		2009	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Forward exchange contracts:				
Assets	92	92	-	1,292
Liabilities	248	248	-	(53)
Secured bank loans	-	-	7,720	6,720
Unsecured bank loans	228,755	211,741	79,583	65,715
Finance lease liabilities	3,803	3,644	3,938	3,474
	======	======	======	======
Company				
Unsecured bank loans	46,000	38,514	-	-
	=====	=====	=====	=====

Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

30. Capital management

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

The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:

	Group	
	2010	**2009**
	RM'000	**RM'000**
Total borrowings (note 17)	236,187	111,074
Less: Cash and cash equivalents (note 15)	(145,230)	(147,519)
Net debt/(cash)	90,957	(36,445)
Total equity	394,018	379,231
Debt-to-equity ratio	0.23	n/a

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

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

The Group is also required to maintain a maximum debt-to-equity ratio of 1.25 to comply with a bank covenant, failing which, the bank may call an event of default.

31. Contingencies (unsecured)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	533,213	473,594
Bank guarantee given to third parties relating to performance, tender and advance payment bonds - unsecured	163,180	179,710	-	-
Guarantees given in favour of third parties - unsecured	10,918	10,918	10,918	10,918
	======	======	======	======

32. Related parties

Identity of related parties

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

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

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 22.

32. Related parties (continued)

Significant transactions with subsidiaries

Company	Transaction value year ended 31 December 2010 RM'000	2009 RM'000
Interest income	1,405	1,456
Advance to subsidiaries	25,002	22,251
	=====	=====

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

33. Capital and other commitments

	2010 RM'000	2009 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	154,329	263,500
	======	======
Guaranteed minimum gross rental		
Contracted but not provided for in the financial statements	894	1,829
	======	=====

34. Acquisition of subsidiaries

Business combination

(i) On 12 February 2010, the Company acquired 1 ordinary share of HK$1.00 representing 100% equity interest in Kingstone Enterprise Group Limited, a company incorporated in Hong Kong, for a consideration of HK$1.00. The acquisition has no material impact on the earnings and net assets of the Group for the year.

(ii) On 13 August 2010, the Company acquired 1 ordinary share of HK$1.00 representing 100% equity interest in Greatwall Capital Resources Limited (now known as Salcon Changzhou (HK) Limited), a company incorporated in Hong Kong, for a consideration of HK$1.00. The acquisition has no material impact on the earnings and net assets of the Group for the year.

34. Acquisition of subsidiaries (continued)

Business combination (continued)

(iii) On 20 August 2010, Jiangsu Salcon Water & Environmental Development Company Limited, a 66.67% subsidiary of Salcon Jiangsu (HK) Limited, which is a wholly-owned subsidiary of the Company, entered into an Equity Transfer Agreement with Wins Sun International Investment Company Limited, Hong Kong, acquiring the entire equity interest in Yizheng Rong Xin Wastewater Treatment Company Limited for a total cash consideration of RMB44 million.

The acquisition of Yizheng Rong Xin Wastewater Treatment Company Limited had the following effect on the Group's assets and liabilities on acquisition date:

Group	**Note**	**Recognised values on acquisition RM'000**
Property, plant and equipment	3	30,995
Trade and other receivables		2,184
Cash and cash equivalents		1,219
Trade and other payables		(2,375)
Loans and borrowings		(9,790)
Net identifiable assets and liabilities		22,233
Intangible assets on acquisition	4	1,544
Consideration paid		23,777
Cash acquired		(1,219)
Net cash outflows		22,558

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

34. Acquisition of subsidiaries (continued)

Business combination (continued)

In 2009, the acquisition of Jiangsu Salcon Water & Environmental Development Company Limited had the following effect on the Group's assets and liabilities on acquisition date:

Group	Note	Recognised values on acquisition RM'000
Trade and other payables		30,277
Loans and borrowings		(10,032)
Net identifiable assets and liabilities		20,245
Intangible assets on acquisition	4	1,034
Consideration paid		21,279
Cash acquired		(30,277)
Net cash inflows		(8,998)

35. Subsequent events

i. On 22 November 2010, the Company entered into a Conditional Sale and Purchase Agreement with Challenger Emerging Market Infrastructure Fund Pte. Ltd. ("EMIF"), a company incorporated in Singapore, in relation to the proposed disposal of 40% of the entire issued and paid-up share capital of Salcon Water (Asia) Limited ("Salcon Asia") to EMIF for a total cash consideration of RMB238 million ("Proposed Disposal")

   To facilitate, inter-alia, the Proposed Disposal, the Company shall undertake a proposed internal restructuring involving its wholly-owned subsidiary, namely, Salcon Asia (an investment holding company), and 5 other wholly-owned subsidiaries of the Company, namely, Salcon Services (HK) Limited, Salcon Shandong (HK) Limited , Salcon Linyi (HK) Limited, Salcon Zhejiang (HK) Limited and Salcon Fujian (HK) Limited (collectively referred to as the "HK Subsidiaries") whereby the HK Subsidiaries will become approximately 99.99% owned subsidiaries of Salcon Asia.

35. Subsequent events (continued)

On 28 February 2011, the disposal is deemed completed by the Board following the completion of the conditions precedent of the Sale and Purchase Agreement dated 22 November 2010 relating to the Disposal (“SPA”). Concurrent with the completion of the Disposal, the Company had on even date entered into a Shareholders’ Agreement (“SA”) with EMIF.

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

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

36. Significant changes in accounting policies

Group	**Retained earnings RM’000**
At 31 December 2009, as previously stated	6,464
Adjustments arising from adoption of FRS 139:	
- Recognition of derivatives previously not recognised, net of tax	1,239
At 1 January 2010, as restated	7,703

36.1 FRS 139, *Financial Instruments: Recognition and Measurement*

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

Investments in equity securities

Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associate were measured at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries and associate are now categorised and measured as fair value through profit or loss, or as available-for-sale as detailed in note 2(c).

36. Significant changes in accounting policies (continued)

36.1 FRS 139, *Financial Instruments: Recognition and Measurement* (continued)

Derivatives

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss.

Impairment of trade and other receivables

Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable is considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognised for trade and other receivables 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.

These changes in accounting policies have been made in accordance with the transitional provisions of FRS 139. In accordance with the transitional provisions of FRS 139 for first-time adoption, adjustments arising from the remeasuring of financial instruments at the beginning of the financial year were recognised as adjustments of the opening balance of retained earnings or another appropriate reserve. Comparatives are not adjusted.

Consequently, the adoption of FRS 139 does not affect the basic and diluted earnings per ordinary share for prior periods. It is not practicable to estimate the impact arising from the adoption of FRS 139 to the current year's basic and diluted earnings per share.

36.2 FRS 140, *Investment Property*

Before 1 January 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property was measured at cost until construction or development was completed, at which time it would be remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement was recognised in profit or loss.

With the amendment made to FRS 140 with effect from 1 January 2010, investment property under construction is classified as investment property. 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.

36. Significant changes in accounting policies (continued)

36.2 FRS 140, *Investment Property* (continued)

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current year's basic and diluted earnings per ordinary share.

36.3 FRS 8, *Operating Segments*

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

Comparative segment information has been re-presented. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

36.4 FRS 101 , *Presentation of Financial Statements* (revised)

The Group applies FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per share.

36.5 FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

37. Comparative figures

37.1 FRS 101 , *Presentation of Financial Statements* (revised)

Arising from the adoption of FRS 101 (revised), income statements for the year ended 31 December 2009 have been re-presented as statements of comprehensive income. All non-owner changes in equity that were presented in the statements of changes in equity are now included in the statements of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statements of changes in equity.

37.2 FRS 117, *Leases*

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which in substance is a finance lease and has reclassified the leasehold land to property, plant and equipment accordingly. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

Following the adoption of the amendment to FRS 117, certain comparatives have been re-presented as follows:

	Group			
	31.12.2009		1.1.2009	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Cost				
Property, plant and equipment	262,355	255,544	221,665	214,854
Prepaid lease payments	26,556	33,367	23,888	30,699
	======	======	======	======
Depreciation				
Property, plant and equipment	34,236	33,963	25,395	25,228
Prepaid lease payments	3,810	4,083	3,020	3,187
	======	======	======	======
Carrying amount				
Property, plant and equipment	228,119	221,581	196,270	189,626
Prepaid lease payments	22,746	29,284	20,868	27,512
	======	======	======	======

38. ESOS

Other than the Directors whose interests are disclosed separately in the Directors' Report, the eligible employees of the Group whose share options entitlements are equal to or more than 400,000 share options in the Company pursuant to the ESOS are as follows :

	Number of options over ordinary shares of RM0.50 each				
	At 1.1.2010	Granted	Exercised	Lapsed	At 31.12.2010
Chern Meng Gaik	-	600,000	140,000	-	520,000
Law Woo Hock	-	600,000	200,000	-	400,000
Loh Boon Sue	-	600,000	-	-	600,000
Tey Thiam Huat	-	600,000	-	-	600,000
Chan Foo Kheong	-	600,000	-	600,000	-
Jamiluddin Amini Bin Sulaiman	-	726,000	100,000	-	626,000
Ong Sian	-	600,000	100,000	-	500,000
Lee Thim Loy	-	825,000	275,000	-	550,000
Low Beng Peow	-	825,000	275,000	-	550,000

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

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000	**Company 2010 RM'000**
The retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	59,116	(23,614)
- Unrealised	118	(13,388)
	59,234	(37,002)
Share of retained earnings of associate:		
- Realised	8,890	-
Share of retained earnings of joint venture:		
- Realised	1,496	-
	69,620	(37,002)
Less: Consolidation adjustments	(47,787)	-
Total retained earnings/(accumulated loss) as per statement of equity	21,833	(37,002)
	=====	=====

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by 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 108 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 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 109 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 Goh Eng Toon

………………………………………………………..
Dato' Tee Tiam Lee

Kuala Lumpur,

Date: 28 April 2011

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 109 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 28 April 2011.

………………………………..
Law Woo Hock

Before me:

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 2010 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 108.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 593796-T

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

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

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification (other than a qualification that is not material in relation to the consolidated accounts) or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 39 on page 109 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context on 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

Loh Kam Hian
Approval Number: 2941/09/12(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 28 April 2011