



Water Solutions For **Life**

A young green seedling with two leaves growing out of a mound of green moss. The seedling is positioned centrally, with its stem and leaves extending upwards. The background behind the seedling is a blue gradient with a faint world map outline and a bright sunburst effect.

2009

Annual Report

VISION

to be a world leader
in water and sanitation
services

MISSION

to provide quality water and
sanitation services through innovation
and capable human resource whilst
upholding our corporate responsibilities



core values

teamwork

We believe that mutual accountability and unified efforts bring about greater synergy and productivity in our pursuit for excellence.

commitment

We are committed to delivering consistent and high quality products and services through the most efficient and optimum use of available resources.

respect

We respect our employees regardless of gender, race or religion and inspire them to be the best they can be.

professionalism

We believe in the highest level of competence, integrity and thoroughness in achieving distinction in all aspects of our work.

results

We strive towards maximizing stakeholders' values and returns.



contents

4 Notice of Annual General Meeting	6 Statement Accompanying Notice of Annual General Meeting	8 Corporate Information	10 Corporate Structure
11 Financial Highlights	12 Board of Directors	14 Profile of Directors	20 Chairman's Message
26 Management Review	40 Corporate Responsibility Report	52 Corporate Governance Statement	59 Audit Committee Report
63 Internal Control Statement	65 Financial Statements	126 Particulars of Group Properties	128 Analysis of Shareholdings & Warrant Holdings
		133 Appendix 1	Proxy Form



cover rationale

Working in the vibrant colours of water and green, the visual provides a backdrop of the continents as a reminder that this is the only planet we can exist and live in. This colour is presented in a turquoise hue to suggest the importance of water to the foundation of our existence.

Subtly placed in the background of a new life - the shoot of a plant. This allows for a reflection of how fragile and important life and our environment are. It also reflects a new beginning - that each day and in each way, it is possible to create new beginnings for a better world. Salco works actively to achieve this through innovation and development of new technologies.

The visual is intentionally extended beyond the front cover of the book into the back - to establish the continuity of the work that Salco does. The dominant colour on the back cover is the green which brings the visual to an end but lays the focus on our environment.



notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Seventh Annual General Meeting of the Company will be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2010 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon.

(SEE NOTE 2)

2. To approve the payment of the first and final dividend of 1.5 sen per share, tax exempt.

(Resolution 1)

3. To re-elect Jaggit Singh a/l Tara Singh who retires pursuant to Article 96 of the Company's Articles of Association.

(Resolution 2)

4. To re-elect the following Directors who retire pursuant to Article 103 of the Company's Articles of Association:-

(a) Dato' Tee Tiam Lee

(Resolution 3)

(b) How See Hock

(Resolution 4)

(c) Dato' Leong Kok Wah

(Resolution 5)

5. To re-appoint the following Directors, who retire pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the next Annual General Meeting:-

(SEE NOTE 3)

(a) Dato' Seri Goh Eng Toon

(Resolution 6)

(b) Dato' Dr Freezailah bin Che Yeom

(Resolution 7)

6. To re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration.

(Resolution 8)

AS SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following resolution:

(SEE NOTE 4.1)

"THAT the payment of Directors' Fees of RM150,000 for the financial year ended 31 December 2009 be approved."

(Resolution 9)

To consider and if thought fit, to pass the following resolutions, with or without modifications, as Ordinary Resolution and Special Resolution of the Company:-

8. Ordinary Resolution

Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

(SEE NOTE 4.2)

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 10)

9. Special Resolution

Proposed Amendments to the Articles of Association of the Company

(SEE NOTE 4.3)

"THAT the amendments to the Articles of Association of the Company as set out in the Appendix I ("Proposed Amendments") on pages 133 to 135 of the Annual Report 2009 be and are hereby approved and adopted.

THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities.”

(Resolution 11)

10. To transact any other business of which due notice have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders at the Seventh Annual General Meeting to be held on 23 June 2010, a first and final dividend of 1.5 sen per share, tax exempt, in respect of the financial year ended 31 December 2009 will be paid on 23 July 2010.

The entitlement date for the dividend is 2 July 2010.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 2 July 2010 in respect transfers; and
- (b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

Ng Yen Hoong (LS 008016)
Lim Poh Yen (MAICSA 7009475)
Company Secretaries

Kuala Lumpur

1 June 2010

NOTES:

1. APPOINTMENT OF PROXY

- (a) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
- (b) Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- (c) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- (d) The instrument appointing a proxy must be deposited at the Registered Office at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

The Audited Financial Statements in Agenda 1 is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by shareholders of the Company.

3. RE-APPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

The Resolution 6 and Resolution 7, if passed, will authorise the continuity in office of the Directors (who are over the age of 70 years) until the next annual general meeting.



4. Explanatory Notes to Special Business:

4.1 DIRECTORS' FEES

The Resolution 9, if passed, will authorise the payment of Directors' Fees of RM150,000 for the financial year ended 31 December 2009.

4.2 AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

The Resolution 10 is proposed for renewing the general mandate ("Mandate") granted to the Directors to allot and issue new shares up to an amount not exceeding 10% of the issued and paid-up share capital of the Company for the purpose of funding future investment(s), acquisition(s), working capital and/or other purposes as the Directors consider would be in the interest of the Company.

The Company did not allot and issue any share pursuant to the mandate granted to the Directors at the Sixth Annual General Meeting held on 25 June 2009 as there was no requirement for such funding.

The Mandate will commence from the date of this Annual General Meeting and, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting.

4.3 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Resolution 11, if passed, will approve the amendments of the Articles of Association of the Company. The Proposed Amendments are for the purpose of allowing the payment of eDividends and to facilitate some administrative issues.

Please refer to Appendix I on pages 133 to 135 of the Annual Report 2009 for full details of the Proposed Amendments.

statement accompanying notice of annual general meeting

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad)

Directors who are standing for election at the Seventh Annual General Meeting are as follows:

1. Dato' Seri Goh Eng Toon
2. Dato' Dr Freezailah bin Che Yeom

The profiles of the above Directors are set out in the section entitled "Profile of Directors" on page 14 to 17. The details of their interest in the securities of the Company are set out in the section entitled "Analyses of Shareholdings and Warrantholdings" on page 128 to 132.



growth

The mystery of life is its cycle of continuance.
The fact that everywhere around us
there are new beginnings and
new opportunities to grow, and for growth.



corporate information

BOARD OF DIRECTORS

Dato' Seri Goh Eng Toon

Chairman, Non-Independent
Non-Executive Director

Dato' Tee Tiam Lee

Executive Deputy Chairman

How See Hock

Chief Executive Officer

Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas

Independent Non-Executive Director

Dato' Dr Freezailah bin Che Yeom

Independent Non-Executive Director

Ho Tet Shin

Independent Non-Executive Director

Dato' Leong Kok Wah

Executive Director

Jagjit Singh a/l Tara Singh

Executive Director

AUDIT COMMITTEE

Ho Tet Shin (Chairman)
Tan Sri Dato' Seri Megat Najmuddin bin
Datuk Seri Dr Hj Megat Khas
Dato' Dr Freezailah bin Che Yeom

NOMINATION COMMITTEE

Dato' Seri Goh Eng Toon (Chairman)
Dato' Dr Freezailah bin Che Yeom
Ho Tet Shin

REMUNERATION COMMITTEE

Dato' Seri Goh Eng Toon (Chairman)
Dato' Dr Freezailah bin Che Yeom
Ho Tet Shin

EXECUTIVE COMMITTEE

Dato' Seri Goh Eng Toon (Chairman)
Dato' Tee Tiam Lee
How See Hock
Dato' Leong Kok Wah
Jagjit Singh a/l Tara Singh

RISK MANAGEMENT COMMITTEE

Ho Tet Shin (Chairman)
Jagjit Singh a/l Tara Singh
How See Hock

COMPANY SECRETARIES

Ng Yen Hoong (LS 008016)
Lim Poh Yen (MAICSA 7009475)

REGISTERED OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

HEAD OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

AUDITORS

KPMG (AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

EON Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603-2264 3883
Fax : 603-2282 1886

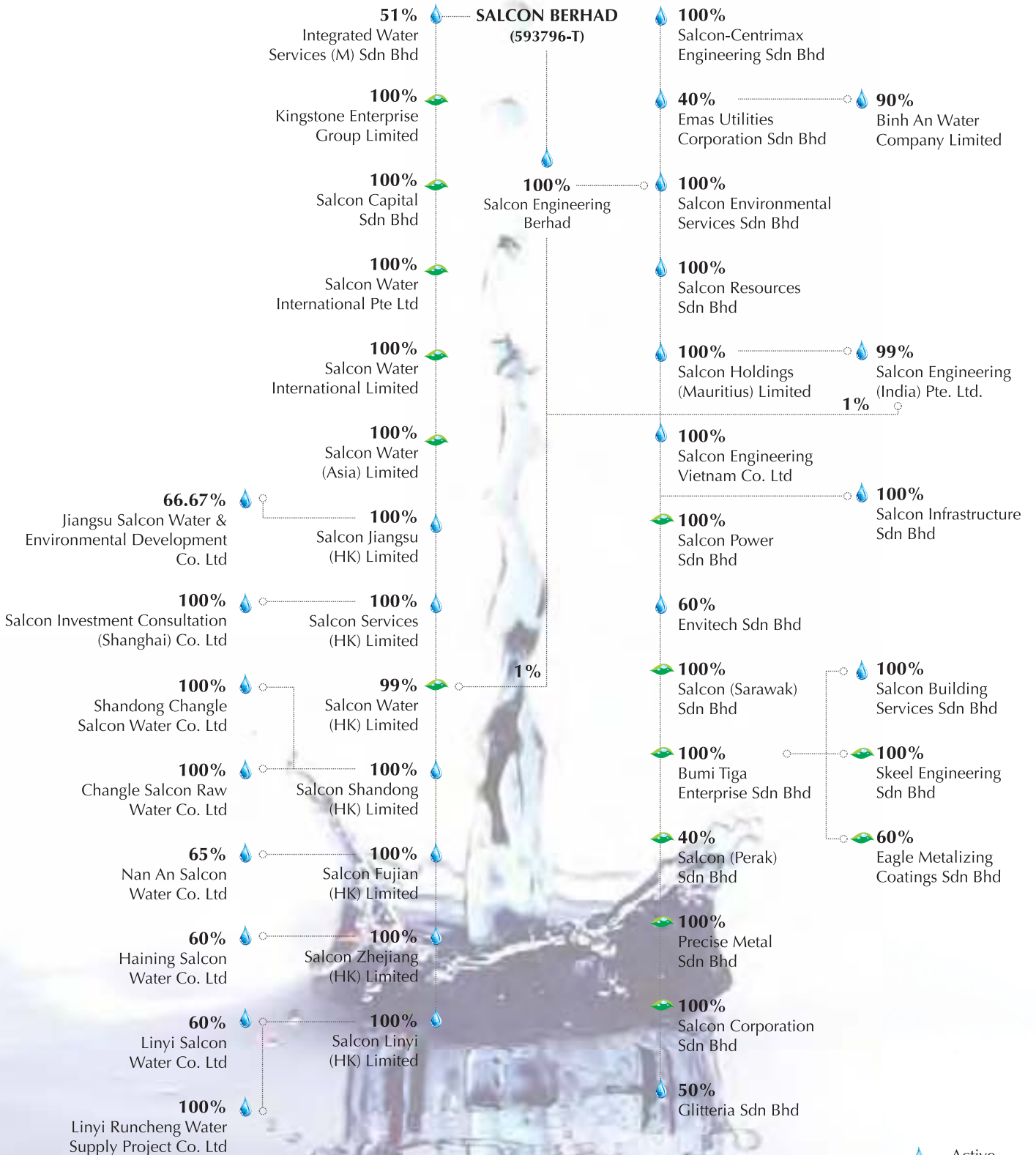
STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(Listed since 3 September 2003)
Sector: Trading/Services
Stock Name: SALCON
Stock Code: 8567

WEBSITE

www.salcon.com.my

corporate structure



Active
 Dormant

financial highlights

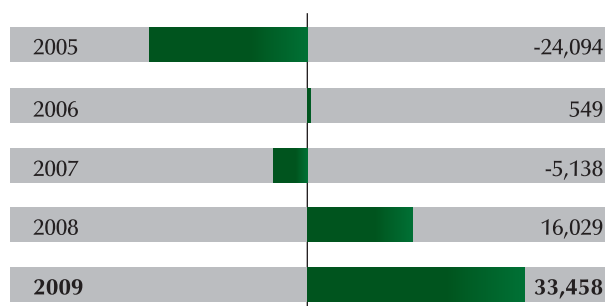
“ Despite a challenging economic environment, I am pleased to report that the Group achieved a year of excellent financial performance with a turnover of RM370 million compared to RM253 million in the previous financial year. In tandem with the increase in turnover, pre-tax profit increased by 109% to record RM33 million compared to RM16 million in the previous financial year. Similarly, profit after tax and minority interest also registered an increase of 150% at RM22 million compared to RM8.8 million previously. ”



TURNOVER
RM ('000)



PROFIT BEFORE TAX
RM ('000)



SHAREHOLDER'S FUND
RM ('000)



NUMBER OF SHARES ISSUED
('000)



	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Turnover (RM'000)	162,379	121,290	134,600	252,501	369,873
Profit Before Tax	-24,094	549	-5,138	16,029	33,458
Shareholder's Fund (RM'000)	108,540	112,747	223,395	290,283	307,531
No. of Shares Issued ('000)	212,046	212,046	425,200	467,720	467,720
Net Assets per share (RM)	0.51	0.53	0.53	0.62	0.66



board of directors



Seated (from left):

Dato' Tee Tiam Lee

Dato' Seri Goh Eng Toon

Standing (from left):

Ho Tet Shin

Jaggit Singh a/l Tara Singh



Seated:

How See Hock

Standing (from left):

Dato' Leong Kok Wah

Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas

Dato' Dr Freezailah bin Che Yeom



profile of directors

DATO' SERI GOH ENG TOON

Chairman, Non-Independent Non-Executive Director

Dato' Seri Goh Eng Toon, aged 76, was appointed to the Board of Salcon Berhad ("Salcon") on 15 June 2005 as the Vice Chairman. He was appointed the Chairman of Salcon on 18 October 2007.

He holds a Cambridge General Certificate of Education and is a Fellow of the Institute of Bankers Malaysia.

Dato' Seri Goh started his banking career with Midland Bank in the United Kingdom in the early fifties and Malayan Banking Berhad from 1960 to 1973. In 1973, he was appointed the Chief Executive Officer ("CEO") of Ban Hin Lee Bank Berhad, Director and CEO in 1978, Acting Chairman and CEO in 1986 and became its Chairman and CEO from 1990 until the merger of Ban Hin Lee Bank Berhad and Southern Bank Berhad in July 2000. He was the Director of Southern Bank and its Group: Southern Finance Berhad, SBB Mutual Berhad (formerly known as BHLB Pacific Trust Management Berhad), BHLB Asset Management Sdn Bhd and BHL Venture Berhad until 2004, when he retired from the Bank and the Group. He was also the Chairman of BHLB Trustee Berhad until December 2005.

He also served on the Board of Aviva Insurance Berhad ("Aviva") as its Chairman. He was also the Chairman of the Audit, Risk Management, Nomination and Remuneration Committees of Aviva. He retired from Aviva in September 2006 when it merged with MSIG Insurance Berhad.

Dato' Seri Goh presently serves on the Boards and as the Chairman of Rockwills Trustee Berhad and Pulau Pinang Clinic Sdn Bhd (Gleneagles Medical Centre, Penang). He is also a Director of Heng Lee & Co. Sdn Bhd and its Group of Companies. He also serves as trustee in many charitable homes, institutions and associations.

Dato' Seri Goh is currently the Chairman of the Executive Committee, Nomination Committee and Remuneration Committee of the Company.

DATO' TEE TIAM LEE

Executive Deputy Chairman

Dato' Tee Tiam Lee, aged 53, was appointed to the Board of Salcon on 1 January 2010.

Dao' Tee has an extensive career and has vast experience in various industries including insurance, water engineering/treatment, hotel management, property investment and oil palm plantation business.

He began his career in insurance in 1976 after finishing his secondary education and has more than 30 years experience in this industry to-date.

Dato' Tee presently sits on the Board of MUI Continental Insurance Berhad and is also a member of its Remuneration Committee, Risk Management Committee and Underwriting Committee.

He is also a Director of several private limited companies including Hotel Sri Hoover Sdn Bhd, which deals with hotel management, and Tabir Arena Sdn Bhd, Jouta Plantation Sdn Bhd and Evergreen Comfort Sdn Bhd, which deal in oil palm plantation business in the east coast of West Malaysia.

He is the Chairman of The Mines Residents Association (MRA) and is also a Director of the Chinese Chamber of Commerce in Terengganu since 1995.

Dato' Tee is a member of the Executive Committee and a major shareholder of the Company. He was a senior adviser of the Company.



HOW SEE HOCK

Chief Executive Officer

Mr. How See Hock, aged 54, was appointed as to the Board of Salcon and its Chief Executive Officer on 1 January 2010.

He graduated with a Bachelor Degree in Civil Engineering from University of Singapore in 1980.

Mr. How joined Public Works Department of Malaysia and was a design & development engineer for (2) years in the State of Kelantan involved in the planning and design of rural roads. In 1982, he joined a local construction company, Mudajaya Construction Sdn Bhd as site engineer and was involved in the construction of various large scale civil engineering works.

In 1983, Mudajaya Construction Sdn Bhd was merged with two (2) other construction companies to form IJM Corporation Berhad, a public listed company in the Bursa Malaysia Securities Berhad.

He was then one of the pioneers in charting IJM into greater heights and was holding the post of Project Director before joining Salcon Engineering Berhad in mid 2005 as Chief Operating Officer before promoted to Chief Executive Officer on 31 March 2008.

Mr. How is a member of the Executive Committee and Risk Management Committee of the Company.

TAN SRI DATO' SERI MEGAT NAJMUDDIN BIN

DATUK SERI DATUK SERI HJ MEGAT KHAS

Independent Non-Executive Director

Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas, aged 65, was appointed to the Board of Salcon on 21 July 2003.

He holds a Bachelor of Law (Hons) from the National University of Singapore.

Tan Sri Dato' Seri Megat Najmuddin was a member of the High Level Finance Committee of the Ministry of Finance and Capital Market Advisory Council of the Securities Commission. He was also a member of the 2nd National Economic Consultative Council and Bank Negara's Corporate Debt Restructuring Committee. He was a long time member of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange) Listing Committee. He is now a member of the UMNO's Disciplinary Committee. In addition, he plays an active role in the Institute of Integrity Malaysia and Transparency International Malaysia. He now sits as a member of the Advisory Board of Malaysian Anti-Corruption Commission (MACC).

Tan Sri Dato' Seri Megat Najmuddin is prominent in the corporate sector and holds several important posts. He is the President of both of the Federation of Public Listed Companies Berhad and the Malaysian Institute of Corporate Governance. He is the Non-Executive Chairman of Tradewinds Corporation Berhad, Asian Pac Holdings Berhad, Majuperak Holdings Berhad, Formis Resources Berhad and SEG International Berhad. He is also an Adjunct Professor of Law at the Universiti Utara Malaysia.

Tan Sri Dato' Seri Megat Najmuddin is a member of the Audit Committee of the Company.



profile of directors

DATO' DR FREEZAILAH BIN CHE YEOM

Independent Non-Executive Director

Dato' Dr. Freezailah bin Che Yeom, aged 70, was appointed to the Board of Salcon on 21 July 2003.

He holds a First Class Honours degree in Forestry and a Doctor of Philosophy in Ecology from the University of Edinburgh, United Kingdom.

Dato' Dr. Freezailah has more than 40 years of experience in various fields of the forestry sector including holding several senior management positions. In 1987, he was elected to serve as the founding Executive Director of the UN-Sponsored International Tropical Timber Organisation ("ITTO") based in Yokohama, Japan with the rank of Assistant Secretary-General on the UN-Scale. He provided leadership to the 57-member-country ITTO and nurtured its growth and development into a respected global body to promote the conservation, sustainable management and utilisation of the world's tropical forests. In recognition of his contributions to the forestry sector, the ITTO created the "Freezailah Fellowship Fund" on his retirement in 1999 and he was conferred "Award of Excellence" by the Commonwealth Forestry Association.

He was also conferred the "Order of the Rising Sun, Gold Rays with Neck Ribbon" by His Majesty the Emperor of Japan. He is a Fellow of the Institute of Foresters Malaysia and Honorary Member of the Society of American Foresters. He has also addressed many important forestry fora.

Dato' Dr Freezailah is currently the Chairman of the Malaysian Timber Certification Council. He is also a council member of Wawasan Open University College. Dato' Dr Freezailah is active in various national and international organisations and initiatives dealing with forestry, conservation, environmental issues and related technological advances.

Dato' Dr Freezailah is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

HO TET SHIN

Independent Non-Executive Director

Mr. Ho Tet Shin, aged 59, was appointed to the Board of Salcon on 5 August 2005.

He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Accountants, as well as a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. Ho started his accountancy training with KPMG London and qualified as a Chartered Accountant in 1974. He then joined KPMG Kuala Lumpur and played a leading role in its Receivership and Insolvency Department for two (2) years before he left to pursue a career in commerce and industry.

He has since held senior management positions in a wide range of businesses, including manufacturing, banking, telecommunications and stock broking. His current interest is in the deployment of micro-algae based technologies for waste treatment and sustainable development.

Mr. Ho is the Chairman of the Audit Committee and Risk Management Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

**DATO' LEONG KOK WAH**

Executive Director

Dato' Leong Kok Wah, aged 56, was appointed to the Board of Salcon on 1 January 2010.

He holds a Master's degree in Business Administration (MBA) from University of Hull, United Kingdom ("UK"), and is a member of Institute of Bankers (UK), Institute of Credit Management (UK), Institute of Marketing (UK) and Institute of Bankers Malaysia.

Dato' Leong has an extensive career and held senior positions in the banking industry. He has vast experience in stock broking, asset management and options and futures trading. He is currently a stockbroker and sits on the Board of various companies in Malaysia.

Dato' Leong is an Independent Non-Executive Director and a member of Audit Committee, Nomination Committee and Remuneration Committee of S P Setia Berhad. He also sits on the Board of MUI Continental Insurance Berhad and is a member of its Audit Committee.

He is a member of the Executive Committee, and was a senior adviser of the Company.

JAGGIT SINGH A/L TARA SINGH

Executive Director

Mr. Jaggit Singh, aged 62, was appointed to the Board of Salcon on 21 July 2003.

He graduated with Bachelor of Mechanical Engineering degree from University of Roorkee, India, and is a Mechanical Engineer by profession.

Mr. Jaggit started his career as a lecturer and subsequently proceeded to be a project engineer. He has more than 30 years of experience in the design and execution of water treatment and pumping projects for the public sector. He joined Salcon Engineering Berhad ("SEB") in 1980 and currently heads the Water and Environmental Division.

Over the past two decades, he has actively participated and provided his expertise in the design, construction, commissioning, testing and handover of numerous large water supply projects in Malaysia and overseas. Some of his notable achievements in Malaysia include the implementation of the first water Build-Operate-Transfer ("BOT") project in Malaysia, and the privatisation of the Greater Ipoh Water Supply Scheme (Phase II) involving sourcing, treatment and supply of water to Lembaga Air Perak. He also led the team in the Binh An Water Supply Project where SEB is a leading partner in the first operational water BOT project in the Republic Socialist of Vietnam.

He also provided leadership in the design and implementation of the first Integrated Dissolved Air Floatation System in Malaysia, utilising state-of-the-art technology in plant design as well as the largest sludge de-watering plant for the Johor River Water Supply Plant under the Public Utilities Board, Singapore.

Mr. Jaggit is also a Director of SEB.

Mr. Jaggit is a member of the Executive Committee and Risk Management Committee of the Company.

Notes:-

- All Directors are Malaysian.
- There is no family relationship between the Directors and/or major shareholders of the Company except the following:-
 - Datin Seri Kee Seok Ai, who is a major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, is the spouse of Dato' Seri Goh Eng Toon;
 - Dato' Leong Kok Wah is a son-in-law of Dato' Seri Goh Eng Toon; and
 - Tee Xun Hao, who is a major shareholder of the Company by virtue of his interest in Infra Tropikal Sdn Bhd, is a son of Dato' Tee Tiam Lee.
- None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
- None of the Directors has been convicted for offences (other than traffic offences) within the past 10 years





hope

Mother Earth is our only home.
While we focus on innovation and new ideas,
we must work together to take care of our home,
for ourselves and for our future.



chairman's message



DATO' SERI GOH ENG TOON
Chairman

The global financial crisis which began in early 2009 did not spare the Malaysian economy which contracted in the first 3 quarters of the year.

OUTSTANDING FINANCIAL PERFORMANCE

Despite a challenging economic environment, I am pleased to report that the Group achieved a year of excellent financial performance with a turnover of RM370 million compared to RM253 million in the previous financial year. In tandem with the increase in turnover, pre tax profit increased by 109% to record RM33 million compared to RM16 million in the previous financial year. Similarly, profit after tax and minority interest also registered an increase of 150% at RM22 million compared to RM8.8 million previously.

The significant improvement in financial results is due to strategic initiatives put in place to increase revenues through the successful procurement of new projects and diversification of income streams via enhancement of the Group's investment/concessions portfolio over the past few years.



“On behalf of the Board of Directors of Salcon Berhad, I have pleasure in presenting the Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 December 2009.”

Raw water pipeline project in progress for Changle Raw Water Project, Shandong Province, China

The Group's consolidated balance sheet position as at December 31, 2009 remained solid, with a strong cash position, as well as a debt to equity ratio of 0.36:1 whilst consolidated cash and cash equivalents totalled RM147 million. This enables the Group to deal with any eventualities stemming from the current global financial crisis and to fund potential expansion plans.

Dividends Increase

In line with the favorable results, the Board of Directors is pleased to recommend a final dividend of 1.5 sen per share, a 50% increase from the previous dividend declared. This amounts to approximately RM7 million for the financial year ended 31 December 2009. The proposed final dividends are subject to the shareholders' approval at the forthcoming Annual General Meeting on 23 June 2010.





The signing ceremony and plaque unveiling ceremony of Jiangsu Salcon Water & Environmental Development Co Ltd for a 30 year concession to implement the water integration scheme in Yizheng City, Jiangsu Province, China

MILESTONE DEVELOPMENTS

China - Expanding Concessions Portfolio

Concession investments have become an increasingly important component in adding to the Group's value and we are committed to growing this business segment. With 7 water and wastewater infrastructure concessions located in the People's Republic of China and 1 water concession in Vietnam under its wings, the Group will continue to adopt its successful approach in selecting viable and profitable investments to add to our existing portfolio.

During the period under review, the Group via its joint venture company, Jiangsu Salcon Water & Environmental Development Co Ltd, was awarded a 30 year concession to implement the Water Integration Scheme in Yizheng City, Jiangsu Province, People's Republic of China on BOT (Build Operate Transfer) basis. This represents the 7th concession the Group has invested in the People's Republic of China.

Moving forward, the Group is set to see a substantial increase in contribution from its China concessions with the completion of current construction works for the 100 MLD (million litres per day) Changle Raw Water Transfer Project, expansion of the Changle water treatment plant from 40 MLD to 100 MLD and completion of first phase of the Nan An Raw Water Project with a capacity of 170 MLD. Upon completion, these projects will more than double the existing production capacity of the Group's concessions in China from 380 MLD to 900 MLD.

Geographical Diversification

In line with the Group's strategic initiatives to diversify its income base geographically, the Group views India, with a thriving population of over 1 billion, as a huge market with tremendous potential.



On going pipe laying works for Nan An Raw Water Supply Project, Nan An City, Fujian Province, China

In order to penetrate into the India water and wastewater market, the Group has established Salcon Engineering (India) Private Limited to pursue construction projects directly. The Group has identified strategic collaborations and joint ventures with Indian firms to offer integrated solutions in water and wastewater treatment.

The key market driver in India is access to safe drinking water where there is a serious lack of sewerage systems as well as water and wastewater treatment plants to sufficiently meet the needs of its growing urban population. The Group is determined to play a role in meeting India's pressing need for clean water and sanitation services.

“ I would like to pay tribute to our dedicated and committed employees for their unsurpassed efforts in the Group's fine performance and look forward for many more to come. ”

BUSINESS PROSPECT

In general, although there are signs that the global downturn has stabilized somewhat, the recovery is expected to be sluggish and uneven. Nevertheless, the Group operates in a fairly recession proof industry where the sustainability and adequate development of municipal water and wastewater infrastructure are a pre requisite to improving the quality of life of the people.



Front view of Pipe Jacking Cutter head 1500mm Diameter for Kota Kinabalu Sewerage works, Phase 1, Sabah

The Malaysian Government in its 2010 budget has allocated a total of RM9 billion to reinvigorate the construction industry of which RM2.6 billion is earmarked for water and sewerage services. Besides this, in order to strengthen the infrastructure in the rural and remote areas, a sum of RM530 million is allocated under the Ministry of Rural and Regional Development to provide water supply to 16,000 houses. All these augur well for the Malaysian water and wastewater industry where the Group is confident of playing an active role in providing water and wastewater infrastructure to meet the needs of the nation.

In its overseas ventures, the Group moves forward in a challenging operating environment from a position of relative strength and this is reflected in the quality of its balance sheet. The Group will continue to practice strict fiscal prudence in pursuing new projects to strengthen its performance in 2010.

With a strong balance sheet, the Group is confident of implementing its strategic initiative to secure a stable and recurrent income stream via prudent and lucrative concession investments in key growth markets such as People's Republic of China, Vietnam and India.

The Group is also confident of securing projects in Sri Lanka, Thailand and Vietnam for the coming years, having the construction track record and an established presence in these countries. For further expansion, the Group is also looking into India and Indonesia which has tremendous growth potential.

The Group remains buoyant on its prospects in 2010 and is confident of achieving better performance in the coming years. The Group will continue to focus on the efficient execution of its contracts in hand, building and consolidating its recurrent income streams and expansion of overseas contracts.

CORPORATE RESPONSIBILITY AND CORPORATE GOVERNANCE

The Group firmly believes in implementing best practices in corporate governance to uphold the high standards expected of it in terms of integrity, transparency and accountability throughout the Group's business operations. The Group's commitment to corporate governance is outlined in the Statement on Corporate Governance and other related reports found in the relevant sections of this Annual Report.



Overview of Process Plant for Hambantota Water Supply Project, Sri Lanka.

Corporate responsibility is integral to the business and the Group is committed to undertaking sustainable business practices which is critical to the long term growth of the business.

This commitment is demonstrated by the setting up of a Green Technology division within the Group's operations to spearhead the development of green technology which include measures for maximising water resources, minimising/recycling waste, conserving energy and tapping renewable energy sources including wind, biomass, hydro and solar. The Green Technology division is envisaged to be one of the key growth drivers for the Group in the years to come.

APPRECIATION

I would like to pay tribute to our dedicated and committed employees for their unsurpassed efforts in the Group's fine performance and look forward for many more to come.

I also wish to thank the shareholders, Government Authorities and Agencies, business partners, clients, financiers and suppliers for the continued support and confidence in the Group.

I thank my fellow board members for their invaluable insights and direction as well as their contributions to the Group.

I also welcome Dato' Tee Tiam Lee, Mr How See Hock and Dato' Leong Kok Wah, who were appointed to the Board on 1 January 2010, and are confident they will add their wealth of experience and wisdom to deliberations at the Board.



Leak repair works in progress for Kelantan NRW works



sustainability

Working hand in hand with Mother Nature,
we must focus on sustainability not only
by omission, but also by creation and innovation.





management review

View of raw water intake with pipe laying of Batticaloa Water Supply Project, Sri Lanka



The Salcon Group, with its extensive experience in the engineering, procurement, construction, operations and project management services, provides one-stop total solutions for a full range of water and wastewater needs. The Group's regional operations are currently spread across Malaysia, China, Vietnam, Indonesia, Sri Lanka and India.

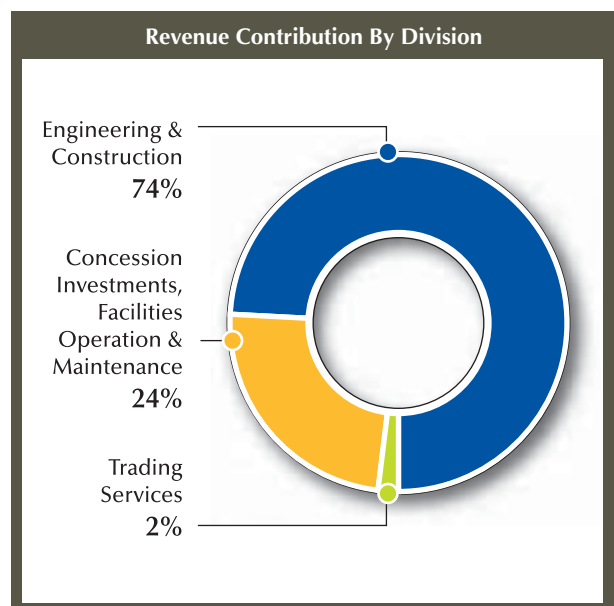


Dam draw off vertical turbine pump with a maximum capacity of 25 million gallons per day at Sg. Terip water treatment plant, Negeri Sembilan

Review of Operations

The Salcon Group, with its extensive experience in the engineering, procurement, construction, operations and project management services, provides one stop total solutions for a full range of water and wastewater needs. The Group's regional operations are currently spread across Malaysia, China, Vietnam, Indonesia, Sri Lanka and India.

Its core businesses are in the areas of Engineering & Construction, Concession Investments, Facilities Operation & Maintenance of water and wastewater works and Trading Services. The Engineering & Construction division maintains its position as the Group's main revenue contributor with RM274 million, representing 74% of the Group's total revenue, follow by concession investments and facilities operation & maintenance at 24% and trading services with 2% contribution for the period under review.



management review

Engineering and Construction

Revenue contribution from the Engineering & Construction division increased by 9% compared to the previous year in tandem with the increase in the Group's order book.

Malaysian Market

During the period under review, the Group is proud to be associated with the prestigious Iskandar Malaysia project, the country's premier economic zone, which will serve as a catalyst of growth in the Southern region of Johor. The Group was awarded a contract by Medini Iskandar Malaysia Sdn. Bhd. (MIMSB) for the Construction and Completion of Infrastructure Works Package Utility 1 sewage treatment plant for Medini Development, Iskandar Malaysia, Johor Darul Takzim.

The sewage treatment plant with capacity of 400,000 population equivalent (PE) is estimated to be completed in 67 weeks and is valued at RM94 million. The Group also undertakes to operate and maintain the sewage treatment plant for a period of 2 years upon completion.

The provision of proper sewage treatment facilities by MIMSB reflects a growing awareness of environmental issues by responsible corporate companies. This green philosophy is something which the Group believes in passionately and is

committed to ensure a clean and safe environment for the people in this region with the Group's technical expertise and experience in wastewater treatment.

Through its subsidiary Envitech Sdn Bhd, the Group was also awarded a letter of acceptance by Vintage Heights Sdn Bhd, for the Design, Construction and Completion of remedial works for a Vacuum Sewerage System at Pantai Sepang Putra, Mukim Sepang, Daerah Sepang, Selangor. The project, valued at RM36 million will be constructed in 2 phases.

The award of this project is a measure of confidence that the client has in Salcon that the remedial works will be successfully carried out. When completed, the vacuum sewerage system will service approximately 2,000 existing households in Pantai Sepang Putra.

Currently, the Group is undertaking the Kota Kinabalu Sewage Treatment project, valued at RM 180 million, to bring modern sanitation to the state capital of Kota Kinabalu, Sabah.

During the period under review, the Group has also completed two NRW projects, which consists of NRW Lahad Datu Phase 1 and NRW Tawau Phase 2.



Currently, the Group is undertaking the Kota Kinabalu Sewage Treatment project, valued at RM 180 million, to bring modern sanitation to the state capital of Kota Kinabalu.

View of pipe laying work with proper bedding for Kota Kinabalu sewerage works Phase 1, Sabah



Concreting for aeration tank in progress for Sewage Treatment Plant at Medini Iskandar, Johor



Fixing Rebar for biological treatment in progress for Sewage Treatment Plant at Medini Iskandar, Johor



engineering and construction

Revenue contribution from the Engineering & Construction division increased by 9% compared to the previous year in tandem with the increase in the Group's order book.



management review

Overseas Market

Over the years, the Group has put in place, strategic initiatives to diversify its revenue base geographically and to date, overseas construction projects account for approximately 25% of the Group's order book.

Currently, the Group is undertaking three (3) on going water projects in Sri Lanka with a total value of RM126 million all of which are funded by multilateral agencies such as Asian Development Bank and Danish International Development Agency (DANIDA). Other than this, the Group is also active in Vietnam where it is currently implementing a pipelaying project in Nhon Trach, which is funded by Japan Bank of International Cooperation (JBIC) and a water project in Dong Tam located in Tien Giang province. These two projects are valued at RM135 million.

Besides Vietnam and Sri Lanka, the Group has further targeted its sights on other emerging economies i.e. India, Cambodia and Indonesia where there is huge potential for growth and rising demand for clean potable water. In terms of wastewater opportunities, increasingly stringent environmental regulations and policies has also spurred various governments where the Group operates, to look for sustainable solutions to ensure the safety and health of its people. This is where the Group is able to assist and provide technically proven and cost effective solutions to address these environmental concerns.

During the period under review, the Group has set up a representative office in Hyderabad, India where numerous proposals and tenders on water and wastewater works have been submitted to the various local government and authorities for consideration. Negotiations of the projects are on going and the Group is optimistic to secure a few projects in these coming years.

Over the years, the Group has put in place, strategic initiatives to diversify its revenue base geographically and to date, overseas construction projects account for approximately 25% of the Group's order book.



Expansion of Haining Water Treatment Plant, Phase 2, Zhejiang Province, China



Concession Investments

Concession investments are an integral part of the Group's business strategy to balance its income portfolio to increase long term recurring revenue stream. During the period under review, the Group continued to expand its long term concession investments. During the period under review, concession investments generated over 35% of the Group's profits.

China - Key Growth Market

The Group continues to view China as its key growth market and will continue its focus on burgeoning medium and second tier cities where population growth, urbanization and industrialization have contributed to increasing water consumption. To date, the Group owns and operates 6 water and 1 wastewater concession in the following areas with high demand growth potential:

PROJECT	LOCATION	PRODUCTION CAPACITY
Changle Water Treatment Plant	Changle County, Shandong Province	100MLD
Changle Sewage Treatment Plant	Changle County, Shandong Province	40 MLD
Changle Raw Water Transfer Project	Changle County, Shandong Province	100 MLD
Nan An Raw Water Supply Project	Nan An City, Fujian Province	Phase 1 170MLD Phase 2 175MLD
Haining Water Treatment Plant	Haining City, Zhejiang Province	Phase 1 150 MLD Phase 2 150 MLD
Linyi Water Treatment Plant	Linyi City, Shandong Province	150 MLD
Yizheng Water Supply Project	Yizheng City, Jiangsu Province	50 MLD

On going pipelaying works for the 100MLD Changle raw water project, Shandong Province, China



management
review

Pipelaying works at Yizheng City, Jiangsu Province, China



*Pipelaying works for Yizheng treated water supply project,
Yizheng City, Jiangsu Province, China*

During the period under review, the Group established a foothold in the affluent Jiangsu Province in the People's Republic of China via the Yizheng Water Supply project.



During the period under review, the Group established a foothold in the affluent Jiangsu Province in the People's Republic of China via the Yizheng Water Supply project. Its joint venture company, Jiangsu Salcon Water & Environmental Development Co Ltd (JSWED) was awarded a 30 year concession to implement the Water Integration Scheme in Yizheng City, Jiangsu Province, People's Republic of China on BOT (Build Operate Transfer) basis. In the initial stage of the project, JSWED will design and lay of treated water pipelines of 600mm diameter with length of 21 km in the central region of Yizheng City. Subsequently, JSWED will lay reticulation pipelines to the supply areas following the completion of the trunk mains.

Vietnam - Steady Income Stream

Besides China, the Group also owns and operates the Binh An Water Supply scheme which supplies treated water in bulk to the People's Committee of Ho Chi Minh city, Vietnam. The 20 year concession has been on going since 1999 and provides a stable income stream to the Group.

Facilities Operations & Maintenance

The Group provides long term integrated management services and solutions for water and wastewater treatment plants which cover operations and maintenance services for water treatment, storage, pumping and distribution facilities including plant start up and commissioning, technical training, operations support, plant engineering and asset lifecycle management.

The Group's existing portfolio include Operation and Maintenance of water treatment facilities in Negeri Sembilan for the Sungai Terip Water Treatment Plant and Kuala Jelai Water Treatment Plant which supplies a total of 360,000m³/day of potable water daily to Seremban, Senawang, Nilai, Mantin, Bahau, Kuala Pilah, Rompin and Tampin.

The Operation and Maintenance contracts provide a long term recurrent income stream to the Group.

Others

The Group's wholly owned subsidiary, Salcon Centrimax Engineering Sdn Bhd markets a range of products and services comprising specialised engineering equipment and high precision components for use in extensive industrial applications. Besides this, it also supports the core water and wastewater business of the Group.



Linyi Water Treatment Plant, Linyi City, Shandong Province, China



Aerial view of Sg. Terip raw water intake, Negeri Sembilan



Aerial view of Kuala Jelai Water Treatment Plant, Negeri Sembilan



Aerial view of Bukit Tinggi Sewage Treatment Plant, Klang, Selangor



With a healthy strong order book which will keep the Group busy over the next 1½ to 2 years and improving profits from our China concessions, the Group looks forward to yet another year of excellent growth and performance.



Outlook for FYE 2010

With a healthy strong order book which will keep the Group busy over the next 1½ to 2 years and improving profits from our China concessions, the Group looks forward to yet another year of excellent growth and performance.

On the local front water and wastewater construction projects will remain the Group's main driver with Malaysia being the Group's major market. The Group will focus on its key competitive strengths in construction of new water and wastewater treatment plants, laying of sewer pipelines and to grow niche markets such as Non Revenue Water management and control.

Looking beyond our borders, the Group has expanded geographically to undertake construction opportunities in emerging markets like India, Vietnam, Sri Lanka and others. The Group is constantly on the look out for new contracts by leveraging on our reputation and track record.

In the long term, the Group seeks to balance its income stream from construction projects with stable recurrent income from concession investments. The Group will continue to focus on growing its water and wastewater concessions in the People's Republic of China. Based on its solid track record, technical expertise and financial capabilities, the Group is confident of developing and acquiring water and wastewater infrastructure concessions with solid fundamentals which will add value to its existing portfolio.

With these strategic initiatives in place, the Group is confident of a good year ahead.



Raw water pipe laying works at Dong Tam, Vietnam



Casting lean concrete for Flocculation and Sedimentation tank for Nhon Trach Water Supply Project, Vietnam

Excavation works in progress for Nhon Trach Water Supply Project, Vietnam



life

The essence of life is water - to use,
to value and to protect.



corporate responsibility report

Introduction

In line with the Group's mission of providing quality water and sanitation services through innovation, state of the art technologies and expertise, the Group delivers its corporate responsibilities by ensuring that our business is conducted in an ethical manner with minimal impact on the environment whilst ensuring the safety and health of our employees and making a positive difference to the communities around us. The Group's approach to Corporate Responsibility is outlined in its statement of principles and policy which are fundamental to the way we run our business.

This report outlines Salcon's performance with regards to Corporate Responsibility in 2009, focusing on the four main areas of Marketplace, Environment, Workplace and Community. Data from this report covers the Group's subsidiaries in Malaysia, China and Vietnam.

Marketplace

The Group prides itself as an engineering specialist offering end to end services in water and wastewater treatment, having successfully completed more than 800 water and wastewater projects both locally and overseas. Today, the Group owns and operates 7 water and 1 wastewater concession in Changle County, Nanan City, Haining City, Linyi City, Yizheng in China and Ho Chi Minh City in Vietnam with total capacity of 900,000 m³/daily. The Group supplies water to more than 3.0 million customers and manages more than 300km of water pipelines in these areas to ensure reliable, quality water supply, 24 hours a day, 7 days a week.



In managing water resources on behalf of its municipal clients, Salcon delivers clean water for sustainable development whilst minimizing adverse environmental impact and conserving the resources for future generations. Wastewater which is produced is then collected and treated to meet international standards for recycling or discharge to the ecosystem.

The Group will continue to focus on developing innovative new services and technologies to improve efficiencies and provide quality water and sanitation services. To meet this objective, the Group works with various stakeholders in the supply chain including suppliers and sub contractors, clients, employees, investors as well as the local communities. By engaging and treating our stakeholders with integrity, care, transparency and responsibility, we ensure an open and thriving marketplace.

In our dealings with our various stakeholders, we:

- Conduct ourselves in a forthright and ethical manner
- Are fair and considerate in all dealings
- Maintain professional behavior in all relationships
- Make only commitments we believe we can deliver
- Respect the rights and dignity of all individuals
- Comply with all relevant laws and regulations



Economic Value Generated to Our Stakeholders

Economic Data - Group Level			
	2009	2008	2007
	RM ('000)	RM ('000)	RM ('000)
Direct Economic Value Generate			
Revenue	369,873	252,501	134,600
Other income and interest income	7,042	10,226	3,848
Gross value generate	376,915	262,727	138,448
Economic Value Distributed to			
Our suppliers: operation costs	313,731	214,323	121,702
Our employees: salaries & benefits	26,610	25,242	21,300
Our Lenders: Payment to lenders (Finance cost)	6,661	9,513	5,530
The government: Payment to governments:			
Malaysia	4,831	3,826	973
Outside Malaysia	2,554	314	363
The Rakyat: Community Investments	245	374	253
Net value added	22,283	9,135	11,673
Our shareholders: Payment to shareholders	4,291		
Our Future: economic value retained	17,992	9,135	-11,673

For FYE 2009, the Group achieved a gross economic value of RM 376.9 million, an increase of 43% compared to the previous year. This outstanding growth is testimony to the Group's commitment and capacity to manage the Group's resources and assets in the best interests of our stakeholders.

With the increase in economic value generated, our employees are rewarded with an increase in salaries and benefits for their hard work and dedication whilst our loyal shareholders are enjoyed dividends payments of RM4.3 million. The Group's Net Value added has also risen compared to the Economic Value Retained within the Group.

Revenue by Region

No.	Revenue	2009	2008	2007
		RM ('000)	RM ('000)	RM ('000)
1	Malaysia	203,289	163,046	95,427
2	Vietnam	72,137	12,483	1,266
3	China	60,706	56,526	33,485
5	Sri Lanka	31,174	19,638	
6	Indonesia	2,567	431	1,044
7	Others		377	3,378
Total		369,873	252,501	134,600

corporate responsibility report

Towards Green Technologies

In line with the Group's demonstrated commitment, that the creation of economic wealth must be anchored to sustainable development to enhance long term growth and competitiveness, we have expanded our core business to include green technology and energy projects. The Green Technology division will spearhead the development of green initiatives in water/waste management and renewable energy ie wind, biomass, hydro and solar.

Venturing into this new growth area will significantly contribute to the Group's philosophy of sustainable development in the conduct of its business in a responsible manner. Responsible investments will lead to the healthy growth and development of communities, not only in Malaysia but also overseas.

Supply Chain Management

An important element of the Group's overall CR strategy is how we manage our supply chain as we believe that building long term relationships and cultivating best practices in all aspects of our operations will serve as a cornerstone of success for the Group. Various systems and processes are put in place to evaluate and pre qualify responsible suppliers and sub contractors, with focus on good track record, health and safety and environmental issues.

Working together with our suppliers and sub contractors, the Group is able to deliver quality services efficiently whilst operating in a responsible manner and on schedule barring any unforeseen circumstances. Service level standards are established and monitoring of the performance of the Group's suppliers and sub contractors are conducted on a yearly basis.

Customers

The trust of our customers is paramount to the Group's success. In order to build long lasting relationships based on mutual respect and understanding, the Group seeks and implements new measures for continuous improvement in all aspects of our customer relations. We actively seek feedback through customer satisfaction surveys to understand, analyse and improve our quality of works and services.

This is reflected in our Quality Policy to meet and exceed client requirements in design, construction and management of water supply and wastewater systems while encouraging continual improvements and ensuring prompt response to client feedback.

Customer Satisfaction Surveys are conducted on an annual basis covering all projects. The Group achieved an average score of 70% customer satisfaction based on the following criteria:

- 1) Competence of Personnel
- 2) Safety in Workplace
- 3) Work progress based on schedule
- 4) Communication between Salcon & Client
- 5) Environment Management
- 6) Knowledge of Construction/operation technologies
- 7) Meeting project requirements/specifications
- 8) Response to customer request
- 9) Project/operational management skill



Salcon customer service centre in Linyi, China

Stakeholder Engagement

In ensuring timely and open communications with our various stakeholders, the Group recently revamped and launched a new Salcon website which is designed to be more functional and user friendly besides generating higher search hits. Announcements to Bursa Malaysia on material developments including financial results, acquisitions and significant investments are also posted on the corporate website so that our stakeholders will have access to timely and accurate information in a balanced manner concerning the performance and direction of the company.



*Salcon newly
launched website*

The Group's AGM also provides a forum for shareholders to review our financial results, ask questions, seek clarification and to vote on a range of issues including director remuneration, election of directors and others. Besides this, investor briefings are also held from time to time to our institutional shareholders so that they will better understand the Group's business direction and strategies.



Workplace

The Group employs approximately 1,000 people in Malaysia, China, Vietnam, Thailand, Sri Lanka, India and Indonesia. As a service oriented organisation, the Group's success is inextricably linked to having a talented and dedicated workforce who embrace the Group's core values of commitment, teamwork, professionalism, respect and results.

Developing Our People

Training and development programmes are important, both for our employees to fully develop their potential and to the ability of the Group to achieve its goals. In total, the Group invested approximately RM200,000 and 6,228 hours in employee learning and career development.



First aid and CPR training to employees

Tapping on the existing skills set and experience of our people, various in house training and courses are conducted including technical skills training ie water pressure management, treatment plant design and surge analysis. External training which encompass all aspects of the Group operations ie water technology, contract administration, quality assurance, safety and health and awareness on environmental issues as well as the development of soft skills ie leadership, management and supervisory skills are also covered.

Besides these training and leadership developments programmes, regular performance appraisals and training needs analysis are crucial to employee engagement. These channels provide the Group with the opportunity to gather feedback and the employees to have their say in their personal career development.

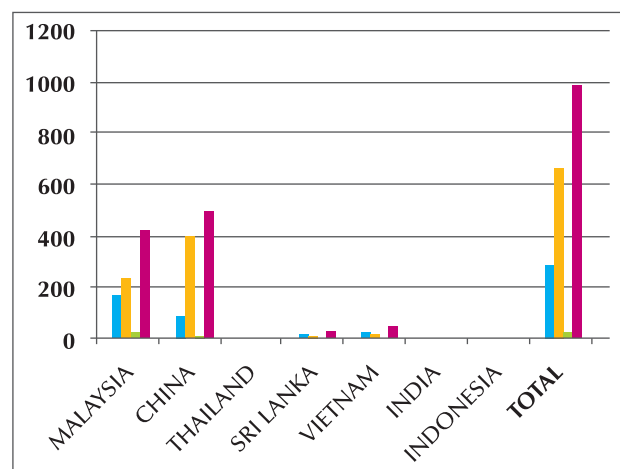
We are also pleased to report that all our employees in Malaysia and overseas are treated with respect and dignity and are offered the same opportunity to do a job regardless of gender, race or religion.

Employee Statistics

Overall, the total number of employees of the Group has decreased in terms of numbers due to the relocation of 106 staff in our Linyi concession from the Group to the Linyi Government. These are retired staff who have been transferred back to the employ of the Linyi Government. With the retirement of these staff, the Linyi joint venture company has streamlined its employees' roles and responsibilities to ensure maximum productivity and minimal interruption to workflow.

Number of Employees				
Geographic Representation	2009	2008	2007	2006
Malaysia	420	361	319	253
China	494	628	612	625
Thailand	2	2	2	2
Sri Lanka	27	17	n/a	n/a
Vietnam	43	21	n/a	n/a
India	4	n/a	n/a	n/a
Indonesia	1	1	1	n/a
Total	991	1,030	934	880

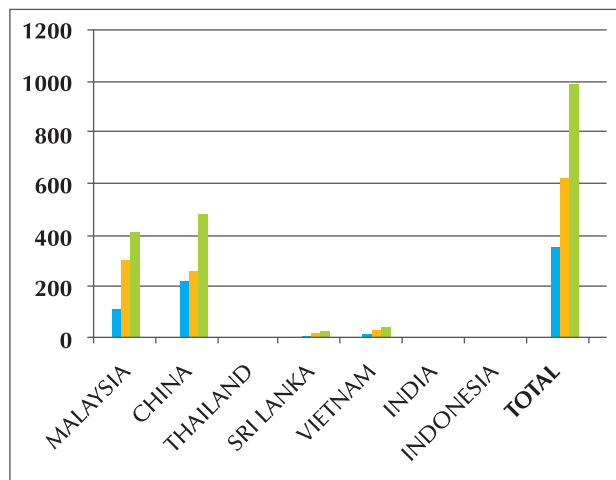
Employee Breakdown by Age



- STATUS TOTAL
- AGE <30
- AGE >56
- AGE 31-55
- AGE Total

corporate responsibility report

Employee Breakdown by Gender



- REGION
- GENDER FEMALE
- GENDER MALE
- GENDER TOTAL

Reward & Benefits

Besides employee development, the Group's ability to continue to attract and retain the most talented people is fundamental to the ongoing sustainability of our business. Recognizing this, the Group undertakes measures to foster good communication and to understand our people's expectations so as to ensure loyalty and strong teamwork at all levels.

The Group's remuneration policy seeks to generate improved performance throughout its operations, balancing short term success with the attainment of long term business goals and shareholder return. In line with this policy, the Group has introduced a Project Incentive Scheme as well as a Headquarters (HQ) Incentive Scheme with the objective to motivate our staff to achieve the highest level of profitability without sacrificing quality, safety and timely completion.

The Group also works hard to attract and retain people of proven technical ability, experience and skills. During the period under review, the Group paid gross salary and benefits of RM26.6 million, an increase of 5.4% compared to the previous year.

Work-Life Balance

Under the Salcon Recreational Club (SRC), various sports and outdoor activities are organized throughout the year to encourage a healthy lifestyle as well as to provide an avenue for employees to interact with each other outside of the work sphere. This is possible with the support of the Group as a caring employer which contributes RM20 per month per employee to the SRC.



Salcon Recreational Club Bowling Tournament 2009

Events carried out during the year include the Company Annual Dinner, Company trip to Bali, Movie Day, Christmas gift exchange, Chinese New Year lion dance and Deepavali celebrations.



Salcon company trip 2009 in Bali, Indonesia

Health & Safety talks are also organized during the year with topics like Crime Prevention, Talk on Influenza A(H1N1), Chikugunya & healthy eating and First Aid Presentation.



Salcon Family day at Eagle Ranch Resort Port Dickson



A Safe & Healthy Workplace

The health and safety of our staff is of paramount importance and continuous trainings programmes are developed to instill a 'Safety & Health Is Everyone's Responsibility' culture within the organization. The Group firmly believes that each and every employee has a moral obligation to safeguard each other, our clients, the community and the environment by ensuring a safe and healthy workplace.



Operator wearing Self Contained Breathing Apparatus during emergency drill situation

At project sites and management meetings, health and safety updates feature as a compulsory agenda item to be discussed and resolved, when the need arises. The Group has in place a comprehensive Safety & Health System Manual which outlines the policies and principles of the Group on safety and health issues and serves as a guide to the respective Safety & Health Management Review Committees at the project sites. This System Manual will aid the Group to achieve its health and safety objectives to:

- a) Comply with the applicable safety and health legislation and other requirements.
- b) Set and monitor measurable objectives and targets to continuously improve performance.
- c) Provide relevant safety and health training to all employees, suppliers and sub contractors.
- d) Implement effective system for eliminating or controlling risk where possible.

Environment

The Group accords importance and priority to measures to strengthen environmental practices throughout our business operations. In line with the ISO 14001:2000 system, Salcon's environmental management policy is strategized with the objectives to better conserve resources, protect the environment, reduce pollution and hazards, and manage material wastes appropriately. The Group spares no efforts on protection of the environment and implementation of mitigation measures.

At project sites, pollution monitoring and waste management are of primary importance. Responsible personnel are required to present proper and detailed environment management documentation for inspection, regularly and on request as well as to ensure its successful implementation.



Changle Water Supply Project, Shandong Province, China

The report consolidates data extracted from the Sg. Terip Water Treatment Plant, Kuala Jelai Water Treatment Plant, Linyi Water Treatment Plant, Changle Water Treatment Plant, Haining Water Treatment Plant and Binh An Water Treatment Plant.

Cost of Producing Water

In accordance with the legislation and laws of Malaysia and the countries in which we operate, we collaborate with relevant government bodies in conserving the environment and saving the planet's resources based on sound environmental principles. In the various concessions which the Group operates, efficient energy use and reduction of non revenue water are goals which we vigorously pursue.

corporate responsibility report

During the period under review, the amount of energy used to deliver 1m³ of water to our customers has decreased further to 0.31kwh, an improvement of 16% compared to the previous year. The amount of plant losses has also reduced to 2.18 million m³ due to lesser frequency in backwashing activities as the quality of water in some areas have improved. This year, we have included data from our plant in Vietnam, Binh An Water Treatment Plant.

To deliver 1m ³ of water to customer			
	2009	2008	2007
kwh of electricity used	0.31	0.37	0.37
m ³ of water lost from plant (plant losses)	2.18 mil	2.95 mil	2.84 mil

Note: Data consolidated from the Sg. Terip Water Treatment Plant, Kuala Jelai Water Treatment Plant, Linyi Water Treatment Plant, Changle Water Treatment Plant, Haining Water Treatment Plant and Binh An Water Treatment Plant.

Drinking Water Quality

Providing safe drinking water is of utmost priority to the Group where we supply to over 3.0 million people and businesses. The Group is committed to managing drinking water supplies safely and is pleased to report that all the plants which the Group owns and operates are in compliance with drinking water standards of the various countries which the Group operates in and we continuously strive to exceed the standards stipulated.

Scheduled Waste

The Group has established operational control procedures, which specify standard procedures for the management of solid and scheduled wastes generated at project sites. The procedures ensure that the wastes are properly managed and disposed in line with the prevailing environmental policy, legal and other requirements.

No.	Location	2009 (kg/yr)	2008 (kg/yr)	2007 (kg/yr)
1	Sg. Terip	200	75	75
2	Kepis	n/a	2	18
3	Kuala Jelai	98	30	45
	Total	298	107	138

The scheduled wastes in 2009 which are generated from chemical dosing and used lubrication oil at water treatment plants in various regions increased by 178% compared to year 2008. All such wastes are properly managed.

Water Resources

In order to minimize impact on the environment and maximise the usage of scarce water resources in the various regions where we operate, the Group is committed to reduce water wastages in the distribution system for our clients by identifying and controlling leakages in the water concessions which the Group operates.

For our clients, the Group has assisted to reduce Non Revenue Water (NRW) in Seremban and Nilai in Negeri Sembilan, whole state of Kelantan and the district of Sandakan in Sabah. During the review period, the Group has achieved a savings of a total 36.9 MLD in these areas through proven and holistic NRW management and control strategies.



Downloading data from data logger

Similarly, in the water concessions where the Group owns and operates the reticulation networks, the Group employs these strategies to reduce water wastages through leaks thus reducing operational costs, increasing efficiency and making fresh drinking water supply sustainable in the long term.



In Our Office



Efforts to promote environmental conservation extends to the Group’s head office as well as administrative offices in the various regions, in such a way that knowledge and awareness of environment conservation were fostered through various activities amongst the employees from time to time.

The activities include:

No.	Activities	Objectives	Results
1	Earth Hour Snapshot Contest: to take a picture during the earth hour in a creative way.	To create awareness amongst employees on energy conservation through switching off lights for one hour on 28 Mar 2009.	Participants who took creative photos during the Earth Hour won themselves a specially made mug for their photos taken during the Earth Hour.
2	Save Electricity Contest Results: The result of the contest was revealed after running for 6 consecutive months from Oct '08 April '09.	To reduce unnecessary electricity consumption at home and office.	Attractive cash prizes were given to employees with the highest reduction in their electricity bills for 6 consecutive months.
3	Implementation of Electronic Data Management System (E DMS) in all departments of Head Quarter.	To create a paperless office environment.	The system is being implemented in stages. A 2 day EDMS users training for EDMS coordinators from various department was conducted by Salcon MIS team and the vendor.
4	Recycle for A Good Cause: Organized in collaboration with Pertubuhan Amal Seri Sinar Kuala Lumpur Selangor (P.A.S.S.) to collect the reusable items for donating to charity bodies.	To serve the needy in the community and practice environmental conservation amongst employees.	Lots of reusable items such as clothes, toys, magazines, books etc were received from employees.
5	Launching of in house newsletter Spotlight in softcopy for the first time.	To reduce paper consumption.	Positive feedback were received from employees.
6	Sending employees’ payslip via email instead of printing out in hard copy.	To reduce paper consumption.	Savings in paper consumption
7	Subsidized water resource fee and reservoir refurbishment fee in Linyi City, Shandong Province.	To contribute to reservoir construction and environmental protection.	The fund subsidized was submitted to the Financial Bureau of Linyi City, Shandong Province.
8	Placing recycle paper collection bin and to encourage double sided photocopy in Nhohn Trach, Vietnam representative office.	To encourage employees to dispose recyclable items and to reduce paper consumption at workplace.	Satisfactory.



Recycling reusable items for good cause



Winners of Earth Hour Snapshot Contest



The first issue of Spotlight in softcopy

corporate responsibility report

Community

The Group supports a variety of community activities where we operate. Our philanthropic and community relations initiatives are designed to educate and raise awareness on the value of water as a precious resource as well as to enhance the quality of life in our communities.

Through these activities, the Group hopes to create a positive impact in the communities where we operate in. As part of the Group's initiative to foster knowledge and awareness of water conservation to school children as well as the public, on April 10 2009, Salcon's new mascot, aptly named Buddy, was conceptualised to convey the message of water conservation to the public in various corporate responsibilities activities.



Winner of 'Name the Mascot' contest with Buddy

Buddy's shape is in a combination of a water drop and globe which represents the Group's vision to be a world leader in water and sanitation services. The yellow boots that Buddy wears again represents the type of business that Salcon involves in. The big smile that Buddy has is to create a friendly identity and a Salcon logo at Buddy's back completes its look.

Water Conservation & Awareness Programmes

Throughout the year, numerous educational visits are hosted at water treatment plants in Negeri Sembilan. These visits seek to educate our younger generation on the importance of water as a precious and finite resource.

Besides this, a highly successful Non Revenue Water Awareness Programme & Carnival was conducted in Kelantan, in collaboration with Air Kelantan Sdn Bhd (AKSB) on April 18, 2009.



Non Revenue Water Awareness Program and Carnival in Kelantan

The event was organized with the objective of educating the public, especially young people about water issues in the community. YB Dato' Haji Ahmad Bin Yakob Timbalan Menteri Besar Kelantan was present to officiate the event which had a theme of 'Hargailah Air' or 'Treasure Water'. Activities held throughout the day included an exhibition on NRW products and services, dikir barat performances, games, quizzes and lucky draws.

Donations

The Group's philanthropic activities are also extended to the needy in other regions of China.



Salcon's participation in the Kuala Lumpur Rat Race 2009



The Group, via its joint venture company in Linyi, contributed RMB37,300 to help the poor and the quake victims of Sichuan earthquake. In Haining, the Group, also via its joint venture company, assisted to repair roads to contribute road safety to the community in the area. A damaged road leading to water treatment plant was also reinstated.

On the local front, Salcon took part in Kuala Lumpur Rat Race 2009 for the very first time. The event is organized by Bursa Malaysia and The Edge Daily with the objective to help the needy through the contribution from Malaysia corporations. Salcon supported the event with a contribution of RM15,000, besides sending a team to run for a good cause.

Promoting Sports & Healthy Living

The Group continues its support in promoting sports and healthy living by contributing to sporting events namely as the title sponsors of Salcon Negeri Master 2009 Invitational Golf Tournament in Negeri Sembilan for the third consecutive year. Besides this, the Group also contributed in another golf tournament namely Golf Amal Piala Tuanku Munawir in Negeri Sembilan with RM10,000.



Cheque presentation during the Salcon Negeri Masters Invitational 2009 Press Conference

Showing Care for Underprivileged

In conjunction with the Salon Negeri Master 2009 Invitational Golf Tournament, the Group took the opportunity to invite 25 underprivileged children from Murad Home Foundation together with Juniors from Negeri Sembilan Golf Association to learn and enjoy golf. The golf clinic was aimed to make golf sport accessible to all, especially to the young ones, whilst inspiring them to be future professional players. 5 golf professionals were on hand to guide and demonstrate the latest tips and techniques to the children. The golf clinic ended on a positive note with the children having a wonderful and fun afternoon.

In Vietnam, the Group's wholly owned subsidiary, Salcon Engineering Vietnam Company Limited, donated t shirts for handicapped children at a training center in Dong Nai during Water Hygiene Campaign. The campaign was held to promote water hygiene awareness amongst children and was very well received.



T Shirt donation to handicapped children in Dong Nai, Vietnam by Salcon Engineering Vietnam Company Limited



Salcon Children Golf Clinic 2009 at Seremban International Golf Club Seremban, Negeri Sembilan



focus

Moving ahead, we are today more sensitive to our environment than ever before. Our focus is to ensure that words will become deeds, and slogans become action to save our only home, and therefore ourselves.





corporate governance statement

The Board of the Company continues to uphold its commitment to the highest standard of corporate governance in managing the affairs of the Group. This statement describes how the Group has applied the principles and best practices set out in the Malaysian Code on Corporate Governance (the Code) in protecting the interests of and enhancing shareholders' value throughout the financial year ended 31 December 2009.

PRINCIPLE A - BOARD OF DIRECTORS

Constitution of the Board and Board Balance

The Board, led by a Non-Executive Chairman is made up of five (5) members, comprising one (1) Executive Director and four (4) Non-Executive Directors. Three (3) new Executive Directors were appointed on 1 January 2010, bringing the total number of Board to eight (8). The number of Independent Directors is in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad (BMSB), which requires one third of the Board to comprise of Independent Directors. The profiles of the Directors are set out in Pages 14 to 17 of this Annual Report.

The Board's main roles are to create value for shareholders, provide leadership to the Group, endorse the Group's strategic objectives and ensure that all necessary financial and other resources are made available to enable those objectives to be achieved. Other key responsibilities of the Board include the principle responsibilities prescribed under the Best Practices Provision AA 1 in Part 2 of the Code. The Board's composition brings together a diverse wealth of business and financial experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction.

There is clear segregation of responsibilities between the Non-Executive Chairman and the Executive Management to ensure a balance of power and authority. Generally, the Executive Directors and the Executive Committee are responsible for making and implementing operational and corporate decisions. Non-Executive Directors play a pivotal role in corporate accountability by providing unbiased and independent views in the sharing of knowledge and experience, towards the formulation of policies and in the decision-making process. Where a potential conflict of interest may arise, it is mandatory for the Director concerned to declare his interest and abstain from the decision-making process.

Appointments and Re-election

The Company's Articles of Association provides that at least one third (1/3) of the Board of Directors shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years. All retiring Directors shall be eligible for re-election. Directors over the age of seventy (70) years may be re-appointed in accordance with Section 129 of the Companies Act, 1965.

At the 6th Annual General Meeting held on 25 June 2009, Mr. Ho Tet Shin, who retired pursuant to the Articles of Association of the Company and offered himself for re-election, was re-elected to the Board. Dato' Seri Goh Eng Toon, who is over the age of seventy (70), retired in pursuant of Section 129 of the Companies Act 1965 and offered himself for re-appointment, was re-appointed to the Board.

In pursuant to the Company's Articles of Association, all new Directors who are appointed by the Board are subject to re-election by the shareholders at the next Annual General Meeting subsequent to their appointment.

Dato' Tee Tiam Lee, Ir. How See Hock and Dato' Leong Kok Wah were appointed to the Board, with each of them holding the title of Deputy Chairman, Chief Executive Officer and Executive Director, on 1 January 2010, and subjected to re-election at the 7th Annual General Meeting scheduled on 23 June 2010.

Board Meetings

The Board meets every quarter to consider the quarterly financial results and operational performance of the Group. Additional meetings are convened as and when necessary with due notice of issues to be discussed. The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meeting which are kept in the minutes book at the Company's registered office. For the financial year ended 31 December 2009, five Board meetings held and the attendance of the Directors are listed below:



Directors	Number of Meetings Attended	Percentage
Dato' Seri Goh Eng Toon (Chairman)	5/5	100%
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas	5/5	100%
Dato' Dr Freezailah bin Che Yeom	5/5	100%
Ho Tet Shin	4/5	80%
Jaggit Singh a/l Tara Singh	5/5	100%
Dato' Tee Tiam Lee (Appointed on 1 January 2010)	-	-
Ir. How See Hock (Appointed on 1 January 2010)	-	-
Dato' Leong Kok Wah (Appointed on 1 January 2010)	-	-

Directors' Trainings

All Directors are provided with the opportunity, and are encouraged, to attend training to keep them updated on relevant new legislations, best practices and financial reporting requirements. The Directors are also updated by the Company Secretary on any changes to legal and governance requirements of the Group. The training programmes attended by the Directors during the year, collectively or individually, included the following:

1. Mergers & Acquisition in the Services Sector
2. Corporate Governance Summit - "Truth, Lies and Corporate Governance"
3. Board Excellence Forum
4. Updates on Regulatory Framework, Directors Duties & Effective Governance Conference 2009

All Directors have attended the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd (formerly known as Bursa Malaysia Training Sdn Bhd).

As provided in the Best Practices AAXIII, the newly appointed Directors shall be provided with appropriate orientation involving briefing on the corporate structure, business and policies of the Group as well as the roles and responsibilities of the Board.

Access to Advice and Information

Board meetings are structured with a pre-set agenda, providing the Directors with relevant and timely information to enable them to discharge their duties and responsibilities. Board papers which provide updates on operational, financial and corporate developments are circulated in sufficient time to enable Directors obtain further explanation, where necessary, to facilitate informed decision-making.

Directors have access to all information within the Group and direct access to the advice and services of the Company Secretary, whether as a full Board or in their individual capacity. In addition, Directors are also empowered to seek external and independent professional advice at the Company's expense, in the exercise of their duties and responsibilities, should such advisory services be considered necessary.



corporate governance statement

Board Committees

The Board has delegated specific responsibilities to five (5) committees, which operate within approved terms of reference, to facilitate their work. Notwithstanding the above, the ultimate responsibility for the final decision lies with the full Board. These committees are:

a) *Audit Committee*

The Audit Committee was established to assist the Board in fulfilling its responsibilities relating to the accounting and reporting practices of the Group. The Board considers that the membership of the Audit Committee is in compliance with the Listing Requirements of BMSB and the Code's recommendations. The terms of reference as well as the members of the Audit Committee are set out in Pages 59 to 62 of the Annual Report.

b) *Executive Committee*

The Executive Committee is responsible for implementing the decisions and policies approved by the Board, and its chairman is Dato' Seri Goh Eng Toon. Other members of the Executive Committee are Dato' Tee Tiam Lee, Ir. How See Hock, Dato' Leong Kok Wah and Jaggit Singh a/l Tara Singh.

c) *Nomination Committee*

Nomination Committee was set up to review the optimal mix of qualifications, skills and experience of the Board, evaluation on the effectiveness of the whole Board, the various committees and each individual Director's contribution to the effectiveness of the Board's decision making process and nominate and assess the candidates for appointment as Directors.

The Nomination Committee meets at least once a year, and is chaired by Dato' Seri Goh Eng Toon. Other members of the Nomination Committee are Dato' Dr Freezailah bin Che Yeom and Ho Tet Shin. The Board considers that the membership of the Committee is in compliance with the Code's recommendation.

d) *Remuneration Committee*

The Remuneration Committee was set up to deliberate on the remuneration framework and make recommendations to the Board on structuring Director's remuneration packages.

Executive Directors are abstained from deliberations and decisions in respect of their remuneration. The Board as a whole determines the remuneration of Non-Executive Directors and the Director concerned is abstain from participating in decisions in respect of his remuneration.

The Remuneration Committee meets at least once a year, and is chaired by Dato' Seri Goh Eng Toon. Other members of the Remuneration Committee are Dato' Dr Freezailah bin Che Yeom and Ho Tet Shin. The Board considers that the membership of the Remuneration Committee is in compliance with the Code's recommendation.

e) *Risk Management Committee*

The Risk Management Committee is established to be the forefront of Enterprise-wide Risk Management Programme and ensure consistent adoption of risk management structure throughout the Group. The Risk Management Committee is responsible to the Board and assists the Board in overseeing all risks management activities within the Group. In addition, it reviews the efficacy of internal controls within the Group.

The Risk Management Committee meets twice a year or as required, and is chaired by Ho Tet Shin. Other members of the Risk Management Committee are Ir. How See Hock and Jaggit Singh a/l Tara Singh.



PRINCIPLE B - DIRECTORS' REMUNERATION

Details of the remuneration of Directors of the Company for the financial year ended 31 December 2009 are as follows:

- Aggregate remuneration of the Directors categorised into appropriate components:

	Salary (RM)	Bonus (RM)	Fees (RM)	Meeting Allowances (RM)	Benefits in Kind (RM)	Statutory Contribution (RM)	Others (RM)	Total (RM)
Executive Directors	359,160	57,703	-	-	30,459	50,029	-	497,351
Non-Executive Directors	-	-	150,000	19,000	-	-	-	169,000

- The number of Directors whose remuneration are analysed into bands of RM50,000 is as follows:

Directors' Remuneration	Number of Directors
Executive Directors	
Less than RM450,000	-
RM450,001 - RM500,000	1
Non-Executive Directors	
Less than RM50,000	3
RM50,001 - RM100,000	1

PRINCIPLE C - RELATIONSHIP WITH SHAREHOLDERS

Shareholders Communication and Investors Relationship Policy

The Group recognises the need and importance of establishing a direct line of communication with shareholders and investors through timely dissemination of information on the Group's performance and major developments via appropriate channels of communication.

The Annual General Meetings (AGM) is viewed as an ideal forum to communicate with shareholders. Dissemination of information also includes the distribution of Annual Reports, relevant circulars, issuance of press releases and giving press conferences. The financial performance of the Group is communicated to the public via its quarterly report to the BMSB.

To further enhance transparency and communication with shareholders and all concerned, the Company established an internet website at www.salcon.com.my for the timely and wide dissemination of business related information for the benefit of all interested parties.

The Board has appointed Dato' Dr Freezailah bin Che Yeom as the Senior Independent Non-Executive Director to whom shareholders' concerns may be conveyed.

Annual General Meeting

The AGM is the principal forum for communicating with shareholders. Shareholders are encouraged to attend the AGM and participate in an open discussion during the AGM. The Directors respond to shareholders' questions during the AGM. The Chairman and where appropriate, the Chief Executive Officer will provide a written answer after the AGM for significant question that is not readily answered at the AGM.

Shareholders who are unable to attend are allowed to appoint not more than two (2) proxies, who need not be shareholders, to attend and vote on their behalf. Shareholders are given the opportunity to seek clarification on any matters pertaining to the affairs of the Company.

corporate governance statement

PRINCIPLE D - ACCOUNTABILITY AND AUDIT

Financial Reporting

In preparing the financial statements, the Directors have complied with Section 169(15) of the Companies Act, 1965 and applicable accounting standards in Malaysia so as to give a true and balanced view of the state of affairs and the result of the Company and the Group.

The Group presents its financial statements on an annual basis through its annual report and its interim results, every quarter via its submissions to the BMSB. The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy and adequacy.

Internal Control

The Internal Control Statement furnished on Pages 63 to 64 of the annual report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Board through the establishment of an Audit Committee maintains a formal and transparent arrangement with the Company and the Group's auditors, both internal and external.

OTHER INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Utilisation of Proceeds

The Renounceable Rights Issue was completed and the shares were granted listing and quotation on the Main Board of BMSB on 23 May 2007. The status of the utilisation of the proceeds as at 27 April 2010 is as follows:

	Proposed Revised Utilisation RM'000	Utilised RM'000	Unutilised/ (Over) RM'000
Working capital for the Sabah sewage system project	20,000	(16,131)	3,869
General working capital for the Group	79,978	(66,438)	13,540
Repayment of bank borrowings	19,000	(19,000)	-
Estimated expenses relating to the Rights Issue with Warrants	1,888	(1,913)	(25)
Total	120,866	(103,482)	17,384

The Private Placement of 42,520,000 new ordinary shares of RM0.50 each of the Company was issued at RM1.09 per share on 11 February 2008 and granted listing and quotation on the Main Board of the BMSB with effect from 19 February 2008. The status of utilisation of the proceeds raised from the Private Placement exercise as at 27 April 2010 is as follows:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Unutilised / (Over) RM'000
Working capital for Nan An project	35,000	(31,012)	3,988
Repayment of bank borrowings	10,000	(10,000)	-
General working capital for Salcon Berhad and its subsidiaries	1,047	(5,257)	(4,210)
Estimated expenses relating to the Proposed Private Placement	300	(78)	222
Total	46,347	(46,347)	

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2009.

Non-audit Fee

Other than the following, there was no non-audit fees paid to the external auditors for the financial year ended 31 December 2009.

Auditor	Services	Amount Paid (RM)
KPMG	Professional Services in connection with the review of the Internal Control Statement	10,000

Variation in results for the financial year

The audited financial statements for the financial year ended 31 December 2009, contained in this Annual Report does not deviate by more than 10% from the unaudited results of the Group announced on 24 February 2010.

Share buybacks

The Company did not enter into any share buyback transactions during the financial year ended 31 December 2009.

Options, Warrants or Convertible Securities

The Company did not issue any Share Options, Warrants or Convertible Securities during the financial year ended 31 December 2009.

American Depository Receipt (ADR) or Global Deposit Receipt (GDR) Programme

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 December 2009.



corporate governance statement

Impositions of Sanctions / Penalties

There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Profit Guarantee

During the year, there were no profit guarantees given by the Company.

Revaluation Policy on Landed Properties

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2009, the Group has:

- ensured compliance with applicable accounting standards enforced in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act, 1965. In addition, the Board is responsible for the proper safeguarding of the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.

audit committee report

The Board Audit Committee of Salcon Berhad is pleased to present its report for the financial year ended 31 December 2009.

MEMBERSHIP

The Audit Committee (the Committee) comprises of the following members:

Ho Tet Shin (Chairman)	Independent Non-Executive Director
Dato' Dr Freezailah Bin Che Yeom	Independent Non-Executive Director
Tan Sri Dato' Seri Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas	Independent Non-Executive Director

MEETINGS

During the financial year ended 31 December 2009, five (5) meetings were convened, with details on the attendance of the members listed below:

Directors	No. of Meetings Attended
Ho Tet Shin (Chairman)	4/5
Dato' Dr Freezailah Bin Che Yeom	5/5
Tan Sri Dato' Seri Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas	5/5

Representatives of the external auditors, Messrs. KPMG, Head of Internal Audit and Head of Finance and Accounts were also present in the meetings to assist in the deliberations, where necessary.

The meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The activities carried out by the Committee during the financial year ended 31 December 2009 include, inter alia, with particular attention paid to overseas operations, the following:

- Reviewed the External Auditors' scope of work and audit plans for the year, prior to the commencement of their annual audit.
- Considered and recommended to the Board for approval, the audit fees payable to the External Auditors as disclosed in Note 21 to the financial statements.
- Reviewed with the External Auditors, the results of the audit and major issues arising from the audit.
- Reviewed the Company's quarterly results and financial statements prior to submission to the Board.
- Reviewed the Company's compliance in particular the quarterly and year-end financial statements with the Listing Requirements of BMSB, Malaysian Accounting Standards Board (MASB) and other relevant legal and regulatory requirements.
- Reviewed the Internal Audit & Risk Management Department's resource requirements, performance appraisals, programs and plans for the financial year under review as well as the plans for the financial year ending 31 December 2010.
- Reviewed the Summary of Pertinent Issues presented by the Internal Auditor on major findings, recommendations and management's responses. The Audit Committee also discussed management actions taken to improve the system of internal control based on improvement opportunities identified in the summary report.



audit committee report

- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group which included enhancement and further investment in existing products and services offered, cost rationalization measures, reorganization of business units and human resource development.
- Reviewed the Internal Control Statement and Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report.
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Code for the purpose of preparing the Internal Control Statement and Corporate Governance Statement pursuant to BMSB's Listing Requirements.

INTERNAL AUDIT FUNCTION

The Internal Audit & Risk Management Department plays a key role in undertaking independent, regular and systematic reviews of risk management, internal control and governance systems to provide the Group with reasonable assurance that the said systems are operating and will continue to operate satisfactorily and effectively. The internal audit function shall be performed in-house by the Internal Audit & Risk Management Department and its activities shall be independent from the management and operations of the Group.

It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of risk management, control and governance processes pertaining to the various operating units within the Group, and the extent of compliance of the units with the Group's established policies, procedures and relevant statutory requirements.

Internal audit also plays its consultative and analytical roles by reviewing and recommending improvements to the risk management, internal control and governance processes, where appropriate.

TERMS OF REFERENCE

Composition

1. The Committee shall be appointed by the Board from amongst its Directors (except for alternate directors) who fulfills the following requirements:
 - a. the audit committee shall comprise of no fewer than three (3) members;
 - b. all members of the committee shall be non-executive directors, with a majority of them being independent directors; and
 - c. at least one member of the audit committee:
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience, and:
 - aa. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - bb. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - (iii) shall fulfill such other requirements as prescribed or approved by Bursa Malaysia.



2. The members of the Committee shall select a chairman from among their number who shall be an independent director.
3. The Board shall within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.
4. The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

Rights

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- a. have authority to investigate any matter within its terms of reference;
- b. have the resources, which are required to perform its duties;
- c. have full and unrestricted access to any information pertaining to the Company and Group;
- d. have direct communication channels with the External and Internal Auditors, as well as employees of the Group;
- e. be able to obtain independent professional or other advice; and
- f. convene meetings with the external auditors at least twice a year, excluding the attendance of other Directors and employees of the Group.

Functions

The functions of the Committee shall include a review of the following:

- a. the Management's compliance with laws, regulations, established policies, plans and procedures.
- b. with the External Auditors, the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements.
- c. the adequacy of the scope, functions, competency and resources of the Internal Audit function and the authority necessary to carry out its work.
- d. the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:
 - i. changes in major accounting policies;
 - ii. significant and unusual events;
 - iii. compliance with accounting standards and other legal requirements; and
 - iv. the going concern assumption.



audit committee report

- e. the internal audit program, processes and the results of the internal audit work, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function.
- f. any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- g. the selection, remuneration, resignation or dismissal of the External Auditors.
- h. any other matters as may be directed by the Board from time to time.

Meetings

Meetings of the Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting by giving not less than three (3) clear days notice thereof unless such requirement is waived by all members. Written notice of the meeting together with the agenda shall be given to the members and external auditor where applicable. However, consent from members who are overseas is not required. The quorum for a meeting for the Committee shall be two (2) provided always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Chairman shall not have a casting vote.

The Company Secretary shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board. Key issues discussed shall be reported by the Chairman of the Committee to the Board.

internal control statement

Listing Requirements of Bursa Malaysia Securities Berhad (BSMB), Paragraph 15.27(b) requires the Board of Directors of Public Listed Companies to include an Internal Control Statement in their Annual Reports about the state of internal control in their companies as a group. The Malaysian Code on Corporate Governance (the Code) stipulates that the Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. In pursuance thereof and in accordance to the Bursa Malaysia Statement on Internal Control: Guidance for Directors of Listed Companies, the Board is pleased to report to the shareholders the state of internal controls that affected the Group during the period under review.

BOARD RESPONSIBILITIES

The Board affirms the overall responsibility for maintaining a sound system of internal controls and to review its adequacy and integrity so as to safeguard shareholders' investments and the Group's assets. The Group's systems of internal controls cover, inter alia, risk management, financial, operational, organizational, management information system and compliance controls. The systems of internal controls are designed to ensure that the risks facing the Group's businesses in pursuit of its objectives are continuously identified and managed at known and acceptable levels.

Due to the inherent limitations in any system of internal controls, these systems are designed to manage and thereby, to the maximum extent possible, mitigate, rather than to eliminate, the risk of failure to achieve its corporate objectives fully. Accordingly, these systems can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board confirms that there is an embedded process for the ongoing identification, evaluation and reporting of the major business risks faced by the Group, excluding associated company, during the financial year ended 31 December 2009 up to the date of the annual report and financial statements.

The Group has in place a Risk Management Committee to provide oversight function in the implementation and enforcement of the risk management process. Management from each business or operations area applies a risk/control assessment approach in identifying the risks relating to their area; the likelihood of these risks occurring; the consequences if they do occur and the actions being and/or to be taken to manage these risks to the desired level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The risk registers are compiled to form the Corporate Risk Register for reporting to the Risk Management Committee on a semi-annual basis. The overall process is facilitated by the Internal Audit & Risk Management Department who are dedicated to the role.

INTERNAL AUDIT FUNCTION

The Board complies with the Code (Part 2 - Best Practices in Corporate Governance), in setting up an internal audit function within the Group. As part of its key functions, the internal audit process reports directly to the Audit Committee to provide feedback regarding the adequacy and the integrity of the Group's systems of internal controls in managing its key risks.

The internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the Audit Committee. The audit plan for the Group is prepared based on the direction given by the Audit Committee and the Corporate Risk Registers of the operating entities within the Group. The Audit Committee decides on the scope of the work to be carried out and reviews the internal audit reports to ensure that the necessary level of assurance with respect to the adequacy of internal controls and the management of key risks as required by the Board is achieved. Follow-up reviews on previous audit issues are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted. Subsequent to the reviews, the Audit Committee shall present its pertinent findings to the Board on a quarterly basis or as appropriate.



internal control statement

OTHER RISKS AND CONTROL PROCESSES

Salcon Engineering Berhad continues to be certified under the ISO9001:2008 and ISO14001:2004 quality and environmental management systems at the corporate office and at the project levels. These systems and their associate processes are monitored by the Quality Assurance and Safety, Health & Environment Departments to ensure compliance with the ISO standards and to encourage continual improvements in environmental and quality performances for work activities undertaken at the project sites.

Further to the above, the Group also conforms to the Occupational Safety & Health OSHAS18001 (1994) requirements, with the development of a Corporate Safety & Health Manual and Procedures for implementation on project sites and the corporate office. As testimony to the Group's commitment in maintaining stringent safety work practices, a Safety & Health Policy Statement was established. These are periodically reviewed and updated by the Corporate Safety & Health Committee and training courses conducted, to continually improve the effectiveness of the Occupational Safety and Health Management System (OSHMS) adopted by the Group.

The Board has also put in place an organizational structure with formally defined lines of responsibility and delegation of authority, allowing internal checks and balances. The Group has also developed and distributed to its employees an Employee Handbook that highlights policies with respect to entitlements, benefits and conduct expected from them. As a form of preventive control and awareness on conflict of interest situation and to promote good employee conducts and ethics, the Group has developed and put in place, a policy on Code of Ethics and Conducts.

These policies and procedures are relevant to the Group and provide continuous assurance to the top management and the Board. The process is facilitated by internal audit, which provides a certain level of assurance on the operations and validity of the systems of internal controls. Quarterly updates of the financial results of the Group are reported to the Audit Committee and the Board. Regular management meetings, which involve the Chief Executive Officer and selected personnel, are held to promptly identify and address any issues encountered by the Group. Management, through the Audit Committee, is tasked to follow up and monitor the status of actions on recommendations made by the internal auditors. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety, which has material impact on the Group.

WEAKNESS IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the year under review, the Internal Audit & Risk Management Department has performed reviews on all major subsidiaries in Malaysia, project operations in Vietnam and Sri Lanka and four out of the seven main subsidiaries in China. The Board confirms that the systems of internal controls are being implemented throughout the Group and continuous reviews are being carried out to ensure its adequacy and effectiveness. There were no major internal controls weaknesses detected which have a material impact on the Group's financial performance or operations.

financial statement

66	Directors' Report
70	Balance Sheets
71	Income Statements
72	Statements of Changes in Equity
74	Cash Flow Statements
76	Notes To The Financial Statements
123	Statement By Directors
123	Statutory Declaration
124	Independent Auditors' Report





director's report

for the year ended 31 December 2009

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 2009.

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 attributable to:		
Shareholders of the Company	22,053	11,732
Minority interest	4,020	-
	<hr/> 26,073	<hr/> 11,732

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 sen per ordinary share which comprises 0.67 sen per ordinary share, tax exempt and 0.33 sen per ordinary share less tax at 25% totalling RM3,134,000 and RM1,157,000 (0.2475 sen net per ordinary share) respectively, in respect of the year ended 31 December 2008 on 23 July 2009.

The first and final dividend of 1.5 sen per ordinary share, tax exempt recommended by the Directors in respect of the financial year ended 31 December 2009, is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Directors of the Company

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

Dato' Seri Goh Eng Toon
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas
Dato' Dr Freezailah bin Che Yeom
Jaggit Singh a/l Tara Singh
Ho Tet Shin
Dato' Tee Tiam Lee (appointed on 1 January 2010)
How See Hock (appointed on 1 January 2010)
Dato' Leong Kok Wah (appointed on 1 January 2010)

Directors' interests

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 31 December 2009 (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 31.12.2009
	At 1.1.2009	Acquired	Disposed	
<i>The Company</i>				
<u>Direct Interest</u>				
Dato' Dr Freezailah bin Che Yeom	50,400	-	-	50,400
Jaggit Singh a/l Tara Singh	3,490,000	-	(100,000)	3,390,000
<u>Deemed interest</u>				
Dato' Seri Goh Eng Toon	66,709,600	-	-	66,709,600
Ho Tet Shin	21,400	-	-	21,400
<i>Integrated Water Services (M) Sdn. Bhd.</i>				
<i>(Subsidiary)</i>				
<u>Deemed interest</u>				
Jaggit Singh a/l Tara Singh	2,800	-	-	2,800

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

	Number of Warrants 2007/2014			At 31.12.2009
	At 1.1.2009	Acquired	Exercised/ Disposed	
<i>The Company</i>				
<u>Direct Interest</u>				
Dato' Dr Freezailah bin Che Yeom	12,700	-	-	12,700
Jaggit Singh a/l Tara Singh	572,500	-	-	572,500
<u>Deemed interest</u>				
Dato' Seri Goh Eng Toon	16,704,800	-	-	16,704,800
Ho Tet Shin	10,700	-	-	10,700

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares and warrants of the Company and of its related corporations during the financial year.

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.

Issue of shares and debentures

There were no changes in the 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 (2008 - 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.

Other statutory information

Before the income statements and balance sheets 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) all current assets have been stated at the lower of cost and net realisable value.

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
- 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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events during the year

The significant events during the financial year are as disclosed in Note 34 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

.....
How See Hock

Kuala Lumpur,

Date: 27 April 2010

balance sheets

at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Assets					
Property, plant and equipment	3	221,581	189,626	-	-
Intangible assets	4	14,525	13,854	-	-
Prepaid lease payments	5	29,284	27,512	-	-
Investment properties	6	4,695	4,720	-	-
Investments in subsidiaries	7	-	-	80,675	70,675
Investment in associate	8	32,128	29,541	-	-
Other investments	10	86	2,086	-	2,000
Deferred tax assets	11	2,441	4,921	-	-
Total non-current assets		304,740	272,260	80,675	72,675
Receivables, deposits and prepayments	12	287,509	236,138	171,202	214,682
Inventories	13	3,305	3,277	-	-
Current tax assets		91	354	-	2,202
Assets classified as held for sale	14	1,130	7,500	-	-
Cash and cash equivalents	15	147,519	185,628	94	104
Total current assets		439,554	432,897	171,296	216,988
Total assets		744,294	705,157	251,971	289,663
Equity					
Share capital		233,860	233,860	233,860	233,860
Reserves		67,207	67,721	57,217	57,217
Retained earnings/(Accumulated losses)		6,464	(11,298)	(39,463)	(46,904)
Total equity attributable to shareholders of the Company	16	307,531	290,283	251,614	244,173
Minority interest		71,700	57,935	-	-
Total equity		379,231	348,218	251,614	244,173
Liability					
Loans and borrowings	17	69,757	74,165	-	-
Total non-current liability		69,757	74,165	-	-
Payables and accruals	19	251,132	194,205	187	490
Loans and borrowings	17	41,317	88,041	-	45,000
Current tax liabilities		2,647	318	170	-
Dividend payable		210	210	-	-
Total current liabilities		295,306	282,774	357	45,490
Total liabilities		365,063	356,939	357	45,490
Total equity and liabilities		744,294	705,157	251,971	289,663

The notes on pages 76 to 122 are an integral part of these financial statements.

income statements

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	20	369,873	252,501	10,745	10,571
Cost of sales		(297,115)	(196,777)	-	-
Gross profit		72,758	55,724	10,745	10,571
Other income		4,352	5,774	10,000	5,042
Distribution expenses		(4,182)	(4,065)	(7)	(3)
Administrative expenses		(33,918)	(34,650)	(2,346)	(559)
Other expenses		(5,371)	(4,447)	(2,000)	(1,500)
Results from operating activities		33,639	18,336	16,392	13,551
Interest income		2,690	4,452	2,108	3,654
Finance costs		(6,661)	(9,513)	(1,374)	(3,397)
Operating profit	21	29,668	13,275	17,126	13,808
Share of profit after tax of equity accounted associate		3,790	2,754	-	-
Profit before tax		33,458	16,029	17,126	13,808
Tax expense	23	(7,385)	(4,140)	(5,394)	(748)
Profit for the year		26,073	11,889	11,732	13,060
Attributable to:					
Shareholders of the Company		22,053	8,822	11,732	13,060
Minority interest		4,020	3,067	-	-
Profit for the year		26,073	11,889	11,732	13,060
Basic earnings per ordinary share (sen)	24	4.72	1.91		

The notes on pages 76 to 122 are an integral part of these financial statements.

statements of changes in equity

for the year ended 31 December 2009

Group	Note	Attributable to Shareholders of the Company								Total equity RM'000	
		Non-distributable						Distributable			Minority interest RM'000
		Share Capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	(Accumulated losses)/		
At 1 January 2008		212,600	10,058	22,150	(1,461)	170	(20,122)	223,395	38,142	261,537	
Foreign exchange translation differences		-	-	-	10,446	-	-	10,446	4,780	15,226	
Realisation of property, plant and equipment		-	-	-	-	(20)	2	(18)	-	(18)	
Net gains recognised directly in equity		-	-	-	10,446	(20)	2	10,428	4,780	15,208	
Profit for the year		-	-	-	-	-	8,822	8,822	3,067	11,889	
Total recognised income and expense for the year		-	-	-	10,446	(20)	8,824	19,250	7,847	27,097	
Issuance of shares - private placement		21,260	25,087	-	-	-	-	46,347	-	46,347	
Private placement expenses		-	(78)	-	-	-	-	(78)	-	(78)	
Acquisition of subsidiary		-	-	-	-	-	-	-	17,038	17,038	
Realisation of reserves on disposal of subsidiary		-	-	-	1,369	-	-	1,369	(4,333)	(2,964)	
Dividends to minority interest		-	-	-	-	-	-	-	(759)	(759)	
At 31 December 2008		233,860	35,067	22,150	10,354	150	(11,298)	290,283	57,935	348,218	
At 31 December 2008/ 1 January 2009		233,860	35,067	22,150	10,354	150	(11,298)	290,283	57,935	348,218	
Foreign exchange translation differences		-	-	-	(514)	-	-	(514)	(764)	(1,278)	
Net gains recognised directly in equity		-	-	-	(514)	-	-	(514)	(764)	(1,278)	
Profit for the year		-	-	-	-	-	22,053	22,053	4,020	26,073	
Total recognised income and expense for the year		-	-	-	(514)	-	22,053	21,539	3,256	24,795	
Acquisition by minority interests		-	-	-	-	-	-	-	12,611	12,611	
Dividends to shareholders	25	-	-	-	-	-	(4,291)	(4,291)	-	(4,291)	
Dividends to minority interest		-	-	-	-	-	-	-	(2,102)	(2,102)	
At 31 December 2009		233,860	35,067	22,150	9,840	150	6,464	307,531	71,700	379,231	

Company	Note	<i>Non-Distributable</i>			Accumulated losses RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Warrant reserve RM'000		
At 1 January 2008		212,600	10,058	22,150	(59,964)	184,844
Issuance of shares						
- private placement		21,260	25,087	-	-	46,347
Private placement expenses		-	(78)	-	-	(78)
Profit for the year		-	-	-	13,060	13,060
At 31 December 2008/ 1 January 2009		233,860	35,067	22,150	(46,904)	244,173
Dividends to shareholders	25	-	-	-	(4,291)	(4,291)
Profit for the year		-	-	-	11,732	11,732
At 31 December 2009		233,860	35,067	22,150	(39,463)	251,614
		Note 16	Note 16	Note 16		

The notes on pages 76 to 122 are an integral part of these financial statements.

cash flow statements

for the year ended 31 December 2009

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash flows from operating activities				
Profit before tax	33,458	16,029	17,126	13,808
<i>Adjustments for:</i>				
Amortisation of intangible assets	363	213	-	-
Amortisation of prepaid lease payments	932	2,048	-	-
Depreciation of property, plant and equipment	9,791	10,377	-	-
Dividend income	-	-	(10,745)	(10,571)
Finance costs	6,661	9,513	1,374	3,397
Gain on disposal of a subsidiary	-	(1,225)	-	-
Gain on disposal of property, plant and equipment	(156)	(2,519)	-	-
Interest income	(2,690)	(4,452)	(2,108)	(3,654)
Allowance for diminution in value of investments	2,000	1,500	2,000	1,500
Impairment loss of property, plant and equipment, net of revaluation reserve	-	2,198	-	-
Change in fair value of investment properties	180	-	-	-
Share of profit of equity accounted associate	(3,790)	(2,754)	-	-
Reversal of impairment loss on investment in subsidiary	-	-	(10,000)	-
Property, plant and equipment written off	40	-	-	-
Unrealised loss/(gain) on foreign exchange	137	(187)	1,275	(5,042)
Operating profit/(loss) before changes in working capital:	46,926	30,741	(1,078)	(562)
Receivables, deposits and prepayments	(51,337)	(122,238)	42,205	(104,626)
Inventories	(28)	(165)	-	-
Payables and accruals	56,927	109,328	(303)	8
Cash generated from/(used in) operations	52,488	17,666	40,824	(105,180)
Interest paid	(6,661)	(9,513)	(1,374)	(3,397)
Tax paid	(2,312)	(2,651)	(522)	(682)
Net cash generated from/(used in) operating activities	43,515	5,502	38,928	(109,259)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(42,567)	(22,906)	-	-
Acquisition of investment properties	(1,285)	(102)	-	-
Acquisition of subsidiary, net of cash acquired	8,998	3,937	-	-
Disposal of subsidiary, net of cash disposed	-	(50)	-	-
Prepayment of prepaid leases	(2,968)	(391)	-	-
Dividends received from				
- Associated company	1,203	8,361	-	-
- Subsidiary	-	-	8,245	571
Interest received	2,690	4,452	2,108	3,654
Proceeds from disposal of assets classified as held for sale	7,500	-	-	-
Proceeds from disposal of property, plant and equipment	214	7,112	-	-
Net cash (used in)/generated from investing activities	(26,215)	413	10,353	4,225

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid to minority shareholders	(925)	(958)	-	-
Dividends paid to shareholders of the Company	(4,291)	-	(4,291)	-
Proceeds from issuance of equity shares in a subsidiary to minority shareholders	1,402	-	-	-
Net proceeds from issue of share capital	-	46,269	-	46,269
Proceeds from borrowings	44,284	42,904	-	-
Repayment of borrowings	(94,520)	(29,028)	(45,000)	(10,000)
Payment of finance lease liabilities	(780)	(666)	-	-
Net cash (used in)/generated from financing activities	(54,830)	58,521	(49,291)	36,269
Exchange differences on translation of the financial statements of foreign entities	289	1,983	-	-
Net (decrease)/increase in cash and cash equivalents	(37,241)	66,419	(10)	(68,765)
Cash and cash equivalents at 1 January	184,707	116,306	104	68,869
Effect of exchange rate fluctuations on cash held	(154)	1,982	-	-
Cash and cash equivalents at 31 December	147,312	184,707	94	104

Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	49,266	131,745	-	-
Cash and bank balances	98,253	53,883	94	104
Bank overdrafts	(207)	(921)	-	-
	147,312	184,707	94	104

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM43,948,000 (2008 - RM24,410,000), of which RM1,381,000 (2008 - RM1,504,000) were acquired by means of finance leases.

Dividends paid to minority shareholders

During the year, the Group paid dividends to minority shareholders amounting RM2,102,000 (2008 - RM759,000), of which RM1,177,000 was reinvested in the enlarged share capital of a subsidiary.

The notes on pages 76 to 122 are an integral part of these financial statements.

notes to the financial statements

Salcon Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board 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 2009 comprise the Company and its subsidiaries and the Group's interest in associate and/or jointly controlled entities. The financial statements of the Company as at and for the year ended 31 December 2009 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 approved by the Board of Directors on 27 April 2010.

1. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted 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 for the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

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

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*
 - *Separation of Compound Instruments*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (cont'd)

- IC Interpretation 11, FRS 2 - *Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, FRS 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

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*

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*
- 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 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution 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*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

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

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Amendments to FRS 2 and IC Interpretation 11, 13 and 14 which are not applicable to the Group and the Company; and
- 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 Amendments to FRS 2 and IC Interpretation 12, 15 and 17 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.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

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.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) **FRS 8, Operating Segments**

FRS 8 replaces FRS 114²⁰⁰⁴, *Segment Reporting* and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the chief operating decision maker of the Group in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see Note 26).

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

(ii) IC Interpretation 10, *Interim Financial Reporting and Impairment*

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

- (a) goodwill;
- (b) an investment in an equity instrument; or
- (c) a financial asset carried at cost.

In accordance with the transitional provisions, the Group and the Company will apply IC Interpretation 10 to goodwill, investments in equity instruments and financial assets carried at cost prospectively from the date the Group and the Company first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following as explained in the accounting policy note:

- Property, plant and equipment
- Investment properties

(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(s) - 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 allowance 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 Group entities, unless otherwise stated.

(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 balance sheet 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.

Associates are accounted for in the consolidated financial statements using the equity method 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 income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an 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 balance sheet 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) *Joint ventures*

Jointly-controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Joint ventures are accounted for in the consolidated financial statements using the equity and/or proportionate consolidation method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

Under the equity method, the consolidated financial statements include the Group's share of the income and expenses of the equity accounted joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Under the proportionate consolidation method, the consolidated financial statements include the Group's share of assets, liabilities, income and expenses of the jointly controlled entities, after adjustments where necessary to align their accounting policies with those of the Group, from the date joint control commences until the date that joint control ceases.

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iii) Joint ventures (cont'd)

Jointly-controlled entities (cont'd)

When the Group's share of losses exceeds its interest in an equity accounted joint venture, 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 joint venture.

Investments in joint ventures are stated in the Group's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Jointly-controlled operation and assets

The interest of the Company and of the Group in unincorporated joint ventures and jointly-controlled assets are brought to account by recognising in the 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

Where a subsidiary issues new equity shares to minority interests for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. 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 interest at the balance sheet date, being the portion of the net identifiable assets/net assets (excluding goodwill) of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity shareholders of the Company.

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.

2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(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 balance sheet date, 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 translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(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 income statement. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are recognised in the consolidated income statement upon disposal of the investment.

(c) 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. 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 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. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

2. Significant accounting policies (cont'd)

(c) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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 income statements.

(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 income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements 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.

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

- 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 balance sheet date.

(d) Leased assets

(i) Finance lease

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

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

Other leases are operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

2. Significant accounting policies (cont'd)

(d) Leased assets (cont'd)

(ii) Operating lease (cont'd)

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments.

Certain leasehold land were revalued in July 2001 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, *Leases* in 2006.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

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 income statement.

(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 income statements 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

2. Significant accounting policies (cont'd)

(f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries, associates and jointly-controlled entities, are stated at cost less allowance for diminution in value,
- Investments in non-current debt securities are stated at amortised cost using the effective interest method less allowance for diminution in value,
- All current investments are carried at the lower of cost and market value, determined on an aggregate portfolio / individual investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries, associates and jointly-controlled entities, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

(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. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

(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 income statements. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

(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 Company'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.

2. Significant accounting policies (cont'd)

(g) Investments properties (cont'd)

(iii) Determination of fair value (cont'd)

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 then is 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 Company 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.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(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 income statement. 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 billing 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.

Construction work in progress is presented as part of receivables, deposits and prepayments in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the balance sheet.

2. Significant accounting policies (cont'd)

(l) Cash and cash equivalents

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

(m) Impairment of assets

The carrying amounts of assets except for financial assets / inventories / assets arising from construction contracts / deferred tax assets / investment properties that is measured at fair value are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. 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 each reporting date 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. 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 the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(n) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

Shares issue expenses

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

Warrant reserve

Free warrants with rights issue are accounted for in accordance with Financial Reporting Standards Interpretation Committee ("FRSIC") Consensus 8/2009, 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 (cont'd)

(o) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(p) 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 provision 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 income statements 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 options granted 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.

The fair value of employee share options is not applicable to the Group as it is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

(q) 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.

2. Significant accounting policies (cont'd)

(r) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(s) Revenue recognition

(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 income statements 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.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs / completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statements.

(iii) Rental income

Rental income from investment property is recognised in the income statements 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.

(t) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statement using the effective interest method, in the period in which they are incurred.

(u) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. Significant accounting policies (cont'd)

(u) Tax expense (cont'd)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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

Unutilised reinvestment allowance and investment tax allowance are treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(v) Earnings per 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.

(w) Segment reporting

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

3. Property, plant and equipment

Group Cost/Valuation	Note	Long term						Capital work-in- progress RM'000	Total RM'000
		Freehold land RM'000	Freehold buildings RM'000	leasehold buildings* RM'000	Plant and machinery* RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000		
At 1 January 2008		745	10,409	87,260	76,616	6,783	4,768	11,859	198,440
Additions		-	-	3,687	3,056	3,169	617	13,881	24,410
Disposals		-	-	(4,696)	(358)	(1,382)	(197)	-	(6,633)
Acquisition of a subsidiary	32	-	-	-	-	-	-	8,527	8,527
Transfer to assets held for sale	14	-	(10,000)	-	-	-	(581)	-	(10,581)
Disposal of a subsidiary	33	-	-	-	(6,328)	(347)	(84)	(11,136)	(17,895)
Reclassification		-	-	(106)	443	(95)	(71)	(171)	-
Effect of movements in exchange rates		-	-	9,652	8,511	223	75	125	18,586
At 31 December 2008/1 January 2009		745	409	95,797	81,940	8,351	4,527	23,085	214,854
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		745	409	96,370	84,311	9,393	4,642	59,674	255,544
Representing item at:									
Cost		-	-	96,370	84,311	9,393	4,642	59,674	254,390
Valuation		745	409	-	-	-	-	-	1,154
At 31 December 2009		745	409	96,370	84,311	9,393	4,642	59,674	255,544

Depreciation and impairment loss

At 1 January 2008		-	281	2,844	7,204	4,085	2,969	-	17,383
Depreciation for the year		-	248	3,151	5,464	1,022	492	-	10,377
Disposals		-	-	(375)	(181)	(1,293)	(191)	-	(2,040)
Disposal of a subsidiary	33	-	-	-	(663)	(82)	(23)	-	(768)
Impairment loss		-	2,024	-	-	-	192	-	2,216
Reclassification		-	-	24	(13)	(8)	(3)	-	-
Effect of movements in exchange rates		-	-	343	739	40	19	-	1,141
Transfer to assets held for sale		-	(2,500)	-	-	-	(581)	-	(3,081)
- Accumulated depreciation	14	-	476	-	-	-	389	-	865
- Accumulated impairment loss	14	-	2,024	-	-	-	192	-	2,216
At 31 December 2008/1 January 2009		-	53	5,987	12,550	3,764	2,874	-	25,228
Depreciation for the year		-	10	3,070	5,060	1,028	623	-	9,791
Disposals		-	-	-	(81)	(532)	(193)	-	(806)
Write-off		-	-	-	-	(28)	-	-	(28)
Effect of movements in exchange rates		-	-	(69)	(142)	(8)	(3)	-	(222)
At 31 December 2009		-	63	8,988	17,387	4,224	3,301	-	33,963

Carrying amounts

At 1 January 2008		745	10,128	84,416	69,412	2,698	1,799	11,859	181,057
At 31 December 2008/1 January 2009		745	356	89,810	69,390	4,587	1,653	23,085	189,626
At 31 December 2009		745	346	87,382	66,924	5,169	1,341	59,674	221,581
Representing item at:									
Cost		-	-	87,382	66,924	5,169	1,341	59,674	220,490
Valuation		745	346	-	-	-	-	-	1,091
At 31 December 2009		745	346	87,382	66,924	5,169	1,341	59,674	221,581

* Included in long term leasehold buildings and plant and machinery are water treatment plants in China with carrying amount of RM73,667,000 (2008 - RM76,131,000).

3. Property, plant and equipment (cont'd)

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 RM2,551,000 (2008 - RM2,047,000).

Borrowing costs

Included in property, plant and equipment under construction of the Group is interest capitalised at a rate of 5% to 6% per annum (2008 - Nil) for the year of RM763,000 (2008 - Nil).

Property, plant and equipment under the revaluation model

Freehold land and building of a subsidiary were revalued on 21 December 2007 by independent professional qualified valuers using the open market value method.

Had the freehold land and building 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	
	2009	2008
	RM'000	RM'000
Freehold land and building	631	637

Long term leasehold building of the Group with carrying amount amounting to RM7,343,000 (2008 - RM7,496,000) has been charged to a licensed bank to secure a term loan granted to a subsidiary as disclosed in Note 17.

4. Intangible assets

Group	Note	Intangible		Total
		Goodwill	assets	
Cost		RM'000	RM'000	RM'000
At 1 January 2008		3,683	7,556	11,239
Acquisition through business combinations	32	-	4,574	4,574
Disposal of a subsidiary	33	-	(1,533)	(1,533)
At 31 December 2008/1 January 2009		3,683	10,597	14,280
Acquisition through business combinations	32	-	1,034	1,034
At 31 December 2009		3,683	11,631	15,314

4. Intangible assets (cont'd)

Group	Note	Goodwill RM'000	Intangible assets RM'000	Total RM'000
Amortisation				
At 1 January 2008		-	270	270
Amortisation for the year		-	213	213
Disposal of a subsidiary	33	-	(57)	(57)
At 31 December 2008/1 January 2009		-	426	426
Amortisation for the year		-	363	363
At 31 December 2009		-	789	789
Carrying amounts				
At 1 January 2008		3,683	7,286	10,969
At 31 December 2008/1 January 2009		3,683	10,171	13,854
At 31 December 2009		3,683	10,842	14,525

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).

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 Cost/Valuation	Leasehold land		Total RM'000
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	
At 1 January 2008	25,317	6,811	32,128
Additions	391	-	391
Disposal	(5,075)	-	(5,075)
Effect of movements in exchange rates	3,255	-	3,255
At 31 December 2008/1 January 2009	23,888	6,811	30,699
Additions	2,968	-	2,968
Effect of movements in exchange rates	(300)	-	(300)
At 31 December 2009	26,556	6,811	33,367
Amortisation			
At 1 January 2008	1,264	61	1,325
Amortisation for the year	1,942	106	2,048
Disposal	(341)	-	(341)
Effect of movements in exchange rates	155	-	155
At 31 December 2008/1 January 2009	3,020	167	3,187
Amortisation for the year	826	106	932
Effect of movements in exchange rates	(36)	-	(36)
At 31 December 2009	3,810	273	4,083
Carrying amounts			
At 1 January 2008	24,053	6,750	30,803
At 31 December 2008/1 January 2009	20,868	6,644	27,512
At 31 December 2009	22,746	6,538	29,284

In 2008, a subsidiary in China transferred a piece of leasehold land at carrying amount of RM4,734,000 to the local government as a result of compulsory land acquisition.

Leasehold land of a subsidiary with a carrying value of RM365,000 was revalued on 31 July 2001 by an independent professional qualified valuers using the open market value method.

During the financial year, the title to long term lease hold land of a subsidiary with carrying amount of RM7,004,000 (2008 - RM7,136,000) has been transferred to the subsidiary company.

Leasehold land of the Group with carrying amount amounting to RM6,185,000 (2008 - RM6,287,000) has been charged to a licensed bank to secure a term loan granted to a subsidiary as disclosed in Note 17.

6. Investment properties

	Note	Group	
		2009 RM'000	2008 RM'000
At 1 January		4,720	2,068
Acquisitions		1,285	2,652
Transfer to assets held for sale	14	(1,130)	-
Change in fair value		(180)	-
At 31 December		<u>4,695</u>	<u>4,720</u>

Included in the above are:

	Group	
	2009 RM'000	2008 RM'000
Freehold land	230	230
Freehold land and buildings	3,180	4,280
Leasehold land and buildings with unexpired lease period of more than 50 years	1,285	210
	<u>4,695</u>	<u>4,720</u>

The following are recognised in the income statements in respect of investment properties:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Rental income	91	15	-	-
Direct operating expenses:				
- income generating investment properties	66	68	-	-
- non-income generating investment properties	8	1	-	-
	<u>91</u>	<u>15</u>	<u>-</u>	<u>-</u>

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 RM3,180,000 and RM1,285,000 respectively, are in the process of being transferred to the subsidiary companies.

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 2009 and 31 December 2008.

7. Investments in subsidiaries

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	80,265	80,265
Unquoted preference shares, at cost	7,267	7,267
Less: Impairment losses	(6,857)	(16,857)
	<u>80,675</u>	<u>70,675</u>

7. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009	2008
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewerage and waste water 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 ^ (formerly know as Salcon Yunnan (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%
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%

7. Investments in subsidiaries (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009	2008
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%
<i>Subsidiaries of Salcon Engineering Berhad:</i>				
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%
Salcon Resources Sdn. Bhd.	Malaysia	Property investment	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 waste-water and sewerage 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%

7. Investments in subsidiaries (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009	2008
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100%	-
<i>Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:</i>				
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%
<i>Subsidiary of Salcon Linyi (HK) Limited:</i>				
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%
<i>Subsidiary of Linyi Salcon Water Company Limited:</i>				
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%
<i>Subsidiary of Salcon Zhejiang (HK) Limited:</i>				
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%
<i>Subsidiary of Salcon Fujian (HK) Limited:</i>				
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 (cont'd)

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest	
			2009	2008
<i>Subsidiary of of Salcon</i>				
<i>Jiangsu (HK) Limited: (formerly know as Salcon Yunnan (HK) Limited)</i>				
Jiangsu Salcon Water & Environmental Development Company Limited #	People's Republic of China	Design, build and operate of water transmission in Jiangsu Province.	67%	-
<i>Subsidiaries of Salcon</i>				
<i>Shandong (HK) Limited:</i>				
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%
<i>Subsidiary of Salcon</i>				
<i>Services (HK) Limited:</i>				
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	100%	-
<i>Subsidiary of Salcon</i>				
<i>Holdings (Mauritius) Limited:</i>				
Salcon Engineering (India) Pte. Ltd. #	India	Dormant strategy business.	100%	-

^ 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 2009. 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	
	2009 RM'000	2008 RM'000
Unquoted shares, at cost	11,800	11,800
Unquoted preference shares, at cost	10,000	10,000
Share of post-acquisition profits	10,328	7,741
	32,128	29,541

Summary financial information on associate:

	Country of incorporation	Effective ownership interest	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2009						
EUC*	Malaysia	40%	25,838	9,475	65,830	1,597
2008						
EUC*#	Malaysia	40%	24,559	6,885	92,743	13,573

* 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.

Based on audited financial statements for the year ended 31 July 2008 and management accounts for the period ended 31 December 2008.

9. Investment in jointly controlled entities

Details of jointly controlled entities are as follows:

	Principal activities	Proportion of ownership interest	
		2009	2008
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.

9. Investment in jointly controlled entities (cont'd)

- (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		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At cost				
Unquoted shares	175	175	-	-
Other investment	4,640	4,640	4,500	4,500
	4,815	4,815	4,500	4,500
Allowance for diminution in value				
- Unquoted shares	(175)	(175)	-	-
- Other investments	(4,554)	(2,554)	(4,500)	(2,500)
	86	2,086	-	2,000

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets are attributable to the following:

	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment	-	-	(434)	(328)	(434)	(328)
Provisions	604	233	-	-	604	233
Other items	-	-	(126)	-	(126)	-
Tax losses carry-forwards	2,397	5,016	-	-	2,397	5,016
Tax assets/(liabilities)	3,001	5,249	(560)	(328)	2,441	4,921
Set off of tax	(560)	(328)	560	328	-	-
Net tax assets	2,441	4,921	-	-	2,441	4,921

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 RM2.4 million.

11. Deferred tax assets and liabilities (cont'd)

Unrecognised deferred tax assets

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unabsorbed capital allowance	444	476	-	-
Unutilised tax losses	952	952	-	-
	<u>1,396</u>	<u>1,428</u>	<u>-</u>	<u>-</u>

The deductible temporary differences do not expire under current tax legislation. If there is substantial change in shareholders (more than 50%), unutilised capital allowance carry-forwards and unutilised tax loss 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	Recognised	At	Recognised	At
	1.1.2008 RM'000	in income statement (Note 23) RM'000	1.1.2009 RM'000	in income statement (Note 23) RM'000	31.12.2009 RM'000
Property, plant and equipment	(17)	(311)	(328)	(106)	(434)
Provisions	338	(105)	233	371	604
Other items	-	-	-	(126)	(126)
Tax losses carry-forwards	5,838	(822)	5,016	(2,619)	2,397
	<u>6,159</u>	<u>(1,238)</u>	<u>4,921</u>	<u>(2,480)</u>	<u>2,441</u>

12. Receivables, deposits and prepayments

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade					
Trade receivables		121,342	89,906	-	-
Less: Allowance for doubtful debts		(23,669)	(20,719)	-	-
		<u>97,673</u>	<u>69,187</u>	<u>-</u>	<u>-</u>
Amount due from contract customers	12.1 12.2	147,686	118,817	-	-
		<u>245,359</u>	<u>188,004</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due from associate	12.3	146	136	-	-
Amount due from subsidiaries	12.4	-	-	171,202	201,267
Other receivables	12.5	32,600	32,055	-	-
Deposits and prepayments	12.6	9,404	15,943	-	13,415
		<u>42,150</u>	<u>48,134</u>	<u>171,202</u>	<u>214,682</u>
		<u>287,509</u>	<u>236,138</u>	<u>171,202</u>	<u>214,682</u>

12. Receivables, deposits and prepayments (cont'd)

- 12.1 Included in trade receivables of the Group are 8 units of shop-offices agreed to be transferred in lieu of debts amounting to RM1,737,000. As of 31 December 2009, the said properties are in the process of being transferred to the Group. It is the intention of the Group to liquidate these assets.

Trade receivables denominated in currencies other than the respective functional currencies of the Group comprise:

Currencies	Group	
	2009 RM'000	2008 RM'000
U.S. Dollar (USD)	3,863	801
Thai Baht (THB)	994	2,112
Euro (EUR)	104	-
Indonesia Rupiah (IDR)	110	-
Japanese Yen (JPY)	3,290	-
Vietnamese Dong (VND)	2,334	-

Included in trade receivables of the Group are retention sums amounting to RM10,898,000 (2008 - RM6,597,000) relating to construction work in progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Within 1 year	1,096	3,899	-	-
1 - 2 years	1,961	602	-	-
2 - 3 years	905	433	-	-
3 - 4 years	4,385	1,043	-	-
4 - 5 years	2,551	620	-	-
	10,898	6,597	-	-

In 2008, doubtful debts written off against allowance for doubtful debts made previously in the Group amounted to RM1,099,000.

12.2 Amount due from contract customers

	Group	
	2009 RM'000	2008 RM'000
Aggregate costs incurred to date	822,622	629,516
Add: Attributable profit	126,470	92,100
	949,092	721,616
Less: Progress billings	(812,363)	(605,914)
	136,729	115,702
Amount due to contract customers (Note 19)	10,957	3,115
Amount due from contract customers	147,686	118,817

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM4,499,000 (2008 - Nil) and RM414,000 (2008 - RM335,000).

12. Receivables, deposits and prepayments (cont'd)

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 RM39 million (2008 - RM88 million) which bear interest at rate of 2% (2008 - 3%) per annum.

12.5 Included in other receivables of the Group in 2009 are as follows:

- i) RM13,600,000 (2008 - RM6,968,000) being advance payments to sub-contractors/suppliers of subsidiaries which was paid in accordance with the terms of the contract.
- ii) Allowance for doubtful debts amounting to RM142,000 (2008 - Nil).

Included in other receivables of the Group in 2008 was RM9,845,000 being proceeds from disposal of a subsidiary which has been fully received from the purchaser during the financial year.

12.6 Included in deposits and prepayments of the Group and the Company is advances paid to contractors in constructing the water treatment plants in China amounted to RM2.7 mil (2008 - RM4.3 mil).

Included in deposits and prepayments of the Group and of the Company in 2008 was a refundable deposit amounted to RM12,981,000 relating to 10% downpayment paid to Maika Holdings Berhad's solicitors to hold as stakeholder for the proposed acquisition of 74.2% equity interest in Oriental Capital Assurance Berhad. The Company has received the full refund of deposit from the stakeholder during the financial year.

13. Inventories

	Group	
	2009 RM'000	2008 RM'000
At cost:		
Raw materials and consumables	2,839	2,946
Spares	466	331
	3,305	3,277

In 2009, inventories recognised as cost of sales amounted to RM7,151,000 (2008 - RM6,920,000).

14. Assets classified as held for sale

	Note	Group RM'000
Assets classified as held for sale		
At 1 January 2008		-
Transfer from plant and equipment	14.1	-
Transfer from freehold building	14.2	7,500
At 31 December 2008/1 January 2009		7,500
Transfer from investment properties	14.3	1,130
Disposal		(7,500)
At 31 December 2009		1,130

During the current financial year, the Group disposed the plant and equipment and freehold building for a total consideration of RM7.5 million to a third party.

14. Assets classified as held for sale (cont'd)

14.1 Plant and equipment

Plant and equipment held for sale comprise the following:

	Note	2008 RM'000
Plant and equipment:		
Cost	3	581
Accumulated depreciation	3	(389)
Accumulated impairment loss	3	(192)
		<u>(581)</u>
Net carrying value		<u><u>-</u></u>

14.2 Freehold building

Freehold building held for sale comprises the following:

		2008 RM'000
Freehold building:		
Cost	3	10,000
Accumulated depreciation	3	(476)
Accumulated impairment loss	3	(2,024)
		<u>(2,500)</u>
Net carrying value		<u><u>7,500</u></u>

14.3 Investment properties

Investment properties is presented as assets held for sales pursuant to Sale and Purchase Agreements entered into by a subsidiary of the Group with third parties to dispose of the assets. Efforts to sell the assets have commenced prior to the balance sheet date, and the sales are expected to be completed in 2010. Investment properties held for sales comprise the followings:

	Note	2009 RM'000
Leasehold land and building		210
Freehold land and buildings		920
	6	<u><u>1,130</u></u>

15. Cash and cash equivalents

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits placed with licensed banks				
- Malaysia	17,605	86,354	-	-
- Outside Malaysia	31,661	45,391	-	-
	<u>49,266</u>	<u>131,745</u>	<u>-</u>	<u>-</u>
Cash and bank balances				
- Malaysia	9,748	22,529	94	104
- Outside Malaysia	88,505	31,354	-	-
	<u>98,253</u>	<u>53,883</u>	<u>94</u>	<u>104</u>
	<u>147,519</u>	<u>185,628</u>	<u>94</u>	<u>104</u>

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Ringgit Malaysia (RM)	26,761	96,389	94	104
Renminbi (RMB)	107,534	76,649	-	-
U.S. Dollar (USD)	7,134	2,162	-	-
Japanese Yen (JPY)	57	9,165	-	-
Vietnamese Dong (VND)	5,247	1,042	-	-
Sri Lanka Rupee (LKR)	561	140	-	-
Thai Baht (THB)	137	42	-	-
Hong Kong Dollar (HKD)	15	17	-	-
Euro (EUR)	3	16	-	-
Indonesian Rupiah (IDR)	6	6	-	-
Indian Rupees (Rs)	64	-	-	-
	<u>147,519</u>	<u>185,628</u>	<u>94</u>	<u>104</u>

16. Capital and reserves

Share capital

	Group and Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '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				
On issue at 1 January	233,860	467,720	212,600	425,200
Issued for cash	-	-	21,260	42,520
On issue at 31 December	<u>233,860</u>	<u>467,720</u>	<u>233,860</u>	<u>467,720</u>

In 2008, the Company issued 42,520,000 new ordinary shares of RM0.50 each at an issue price of RM1.09 per new ordinary share via private placement.

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.

16. Capital and reserves (cont'd)

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.

17. Loans and borrowings

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current				
Finance lease creditors	2,784	2,407	-	-
Term loans (unsecured)	60,793	64,038	-	-
Term loan (secured)	6,180	7,720	-	-
	<u>69,757</u>	<u>74,165</u>	-	-
Current				
Bank overdrafts (unsecured)	207	921	-	-
Bankers' acceptances (unsecured)	11,428	16,361	-	-
Revolving credits (unsecured)	8,198	10,264	-	-
Term loans (unsecured)	18,790	58,197	-	45,000
Term loan (secured)	1,540	1,540	-	-
Finance lease creditors	1,154	758	-	-
	<u>41,317</u>	<u>88,041</u>	-	<u>45,000</u>

Included in unsecured term loans of the Group is RM18,157,000 (2008 - RM18,373,000) being long term loan obtained from Linyi Municipal Government which bear interest at rate of 2.55% (2008 - 2.55%) per annum.

17.1 Terms and debts repayment schedule

The finance lease creditors, unsecured term loans and secured term loan are subject to interest at 2.25% to 3.50% (2008 - 2.25% to 3.88%), 5.76% to 6.91% (2008 - 5.00% to 7.30%) and 4.80% (2008 - 5.00%) per annum respectively.

The unsecured bank overdrafts, bankers' acceptances and revolving credits are subject to interest at 6.55% to 7.55% (2008 - 7.50% to 9.25%), 2.95% to 3.82% (2008 - 4.42% to 5.19%) and 3.65% to 5.10% (2008 - 4.80% to 5.76%) per annum respectively.

The unsecured term loans comprise a Collateralised Loan Obligation ("CLO") which was to be repaid within 5 years, from the effective drawdown date of 3 June 2004. During the current financial year, the Company has fully repaid the loan.

17. Loans and borrowings (cont'd)

17.1 Terms and debts repayment schedule (cont'd)

Group	Year of maturity RM'000	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2009						
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 creditors	2010 - 2015	3,938	1,154	1,192	1,592	-
		<u>111,074</u>	<u>41,317</u>	<u>24,301</u>	<u>27,299</u>	<u>18,157</u>
2008						
Bank overdrafts	2009	921	921	-	-	-
Bankers' acceptances	2009	16,361	16,361	-	-	-
Revolving credits						
- RM	2009	6,438	6,438	-	-	-
- RMB	2009	3,826	3,826	-	-	-
Term loans						
- RM	2009 - 2014	54,260	46,540	1,540	4,620	1,560
- RMB	2009 - 2014	77,235	13,197	17,747	27,918	18,373
Finance lease creditors	2009 - 2013	3,165	758	752	1,655	-
		<u>162,206</u>	<u>88,041</u>	<u>20,039</u>	<u>34,193</u>	<u>19,933</u>
Company						
2008						
Term loans						
- RM	2008	45,000	45,000	-	-	-

17.2 Security

One of the term loans of the Group is secured over a building with a carrying amount of RM7,343,000 (2008 - RM7,496,000) and prepaid lease payments with a carrying amount of RM6,185,000 (2008 - RM6,287,000).

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

17.3 Finance lease creditors

Finance lease creditors are payable as follows:

Group	Gross 2009 RM'000	Interest 2009 RM'000	Principal 2009 RM'000	Gross 2008 RM'000	Interest 2008 RM'000	Principal 2008 RM'000
Less than one year	1,339	(185)	1,154	901	(143)	758
Between one and five years	2,986	(202)	2,784	2,609	(202)	2,407
	<u>4,325</u>	<u>(387)</u>	<u>3,938</u>	<u>3,510</u>	<u>(345)</u>	<u>3,165</u>

18. Employee benefits

Equity compensation benefits

Share option plan

On 7 January 2004, 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 7 January 2004*	3,287	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 and employees under a fixed term employment contract for at least three years as at the date of offer.	5 years
Total share options	3,287		

* The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

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

	Group and Company	
	2009 '000	2008 '000
Outstanding at 1 January	-	3,287
Lapsed	-	(3,287)
Outstanding at 31 December	-	-

Equity financial instruments held by the Group's equity compensation plan:

	Group and Company	
	2009 '000	2008 '000
Number of ordinary shares		
Held at 1 January	-	3,287
Held at 31 December	-	-
	Group and Company	
	2009 RM'000	2008 RM'000
Fair value		
At 1 January	-	3,945
Outstanding at 31 December	-	-

The share option plan has expired on 30 October 2008.

19. Payables and accruals

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade					
Trade payables	19.1	108,149	75,940	-	-
Amount due to contract customers (Note 12)		10,957	3,115	-	-
		<u>119,106</u>	<u>79,055</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due to associate	19.2	277	399	-	-
Other payables	19.3	129,711	111,983	-	21
Accrued expenses		2,038	2,768	187	469
		<u>132,026</u>	<u>115,150</u>	<u>187</u>	<u>490</u>
		<u>251,132</u>	<u>194,205</u>	<u>187</u>	<u>490</u>

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

	Group	
	2009 RM'000	2008 RM'000
Euro (EUR)	36,447	13,963
Japanese Yen (JPY)	32,303	59,645
Singapore Dollar (SGD)	-	25
Sri Lanka Rupee (LKR)	1,695	1,803
Thai Baht (THB)	642	655
U.S. Dollar (USD)	41,836	7,526
Vietnamese Dong (VND)	<u>2,980</u>	<u>952</u>

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

19.3 Included in other payables of the Group in 2009 are as follows:

- i) RM23.2 million (2008 - RM27.1 million) being amount payable to the Linyi Municipal Government for the acquisition of water related assets.
- ii) RM15 million (2008 - Nil) 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.
- iii) Advances received from contract customers amounting to RM72.9 million (2008 - RM74.1 million) being mobilisation costs received in advance in accordance with terms of the contracts.

20. Revenue

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Contract revenue	366,786	247,983	-	-
Invoiced sales	3,087	4,518	-	-
Dividends	-	-	10,745	10,571
	<u>369,873</u>	<u>252,501</u>	<u>10,745</u>	<u>10,571</u>

21. Operating profit

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating profit is arrived at after charging:				
Allowance for diminution in value of investments	2,000	1,500	2,000	1,500
Allowance for doubtful debts	3,191	647	-	-
Amortisation of intangible assets	363	213	-	-
Amortisation of prepaid lease payments	932	2,048	-	-
Auditors' remuneration:				
- Current				
- KPMG	180	182	40	40
- Other auditors	138	108	-	-
- Underprovided in prior year				
- KPMG	3	26	-	10
Bad debts written off	-	122	-	-
Depreciation of property, plant and equipment	9,791	10,377	-	-
Impairment loss of property, plant and equipment, net of revaluation reserve	-	2,198	-	-
Interest expense on:				
- Bank overdrafts	46	26	-	-
- Loans	6,313	9,151	1,374	3,397
- Other borrowings	302	336	-	-
Change in fair value of investment properties	180	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,664	1,908	-	-
- Wages, salaries and others	28,080	31,016	-	187
Property, plant and equipment written off	40	-	-	-
Realised loss on foreign exchange	171	248	-	-
Rental of premises	677	104	-	-
Unrealised loss on foreign exchange	137	-	1,275	-
and after crediting:				
Allowance for doubtful debts no longer required	45	6	-	-
Dividend income from subsidiaries (unquoted)	-	-	10,745	10,571
Gain on disposal of property, plant and equipment	156	2,519	-	-
Gain on disposal of a subsidiary	-	1,225	-	-
Interest income:				
- Subsidiaries	-	-	1,456	1,984
- Others	2,690	4,452	652	1,670
Realised gain on foreign exchange	21	627	-	-
Rental income on premises	1,209	1,329	-	-
Rental income on investment properties	91	15	-	-
Reversal of impairment loss on investment in subsidiary	-	-	10,000	-
Unrealised gain on foreign exchange	-	187	-	5,042

22. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of the Company:				
- Fees	169	155	169	155
- Remuneration	2,121	1,941	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	128	42	-	-
	<u>2,418</u>	<u>2,138</u>	<u>169</u>	<u>155</u>

23. Tax expense

Recognised in the income statement

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense	7,385	4,140	5,394	748
Current tax expense				
Malaysian - current year	4,261	2,873	2,971	950
- prior year	95	(285)	2,423	(202)
Overseas - current year	446	314	-	-
- prior year	103	-	-	-
Total current tax expense	<u>4,905</u>	<u>2,902</u>	<u>5,394</u>	<u>748</u>
Deferred tax expense				
Origination and reversal of temporary differences	1,794	1,238	-	-
Under provision in prior years	686	-	-	-
Total deferred tax expense	<u>2,480</u>	<u>1,238</u>	<u>-</u>	<u>-</u>
Total tax expense	<u>7,385</u>	<u>4,140</u>	<u>5,394</u>	<u>748</u>
Profit for the year	26,073	11,889	11,732	13,060
Total tax expense	7,385	4,140	5,394	748
Profit excluding tax	<u>33,458</u>	<u>16,029</u>	<u>17,126</u>	<u>13,808</u>
Tax calculated using Malaysian tax rate of:				
- income taxable at 20% *	-	159	-	-
- income taxable at 25% (2008 - 26%) **	8,364	3,235	4,281	3,590
Effect of tax rates in foreign jurisdiction	(2,380)	(3,072)	-	-
Non-deductible expenses	2,436	5,064	1,376	1,870
Tax exempt income	(870)	(416)	(2,686)	(4,510)
Utilised of tax benefit	-	(545)	-	-
Other items	(1,049)	-	-	-
	<u>6,501</u>	<u>4,425</u>	<u>2,971</u>	<u>950</u>
Under/(Over) provided in prior years	884	(285)	2,423	(202)
	<u>7,385</u>	<u>4,140</u>	<u>5,394</u>	<u>748</u>

23. Tax expense (cont'd)

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.

* With effect from year of assessment 2004, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to the corporate tax at 20% on chargeable income up to RM500,000. However, with effect from year of assessment 2009, the 20% tax rate will not be applicable for companies which are controlled by another company with a paid up capital exceeding RM2.5 million.

** The corporate tax rates are 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

24. Earnings per ordinary share - Group

Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders of RM22,053,000 (2008 - RM8,822,000) and a weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2009 '000	2008 '000
Issued ordinary shares at 1 January	467,720	425,200
Effect of shares issued	-	36,247
Weighted average number of ordinary shares at 31 December	<u>467,720</u>	<u>461,447</u>
	2009 sen	2008 sen
Basic earnings per share	<u>4.72</u>	<u>1.91</u>

Diluted earnings per share

The diluted earnings per share was not presented as it was anti-dilutive.

25. Dividends

Dividends recognised in the current year by the Company are:

2009	Sen per share	Total amount RM'000	Date of payment
Final 2008 ordinary (tax exempted)	0.67	3,134	23 July 2009
Final 2008 ordinary (net of tax)	0.25	<u>1,157</u>	23 July 2009
Total amount		<u>4,291</u>	

After the balance sheet date the following dividend were proposed by the Directors. These dividends will be recognized in subsequent financial period upon approval by the shareholders at the forthcoming Annual General Meeting.

	Sen per share
Final ordinary (tax exempt)	<u>1.5</u>

26. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter-segment pricing is determined on an arm's length basis.

Business segments

During the financial year, the Group undertook a review of the reportable segments and refined its business segment to better reflect the Group's current business structure. Following the review, the Group has presented its main business segments as constructions and concessions respectively as set out below:

- | | |
|---------------|--|
| Constructions | - Design and construction of water treatment plant, non-revenue water works, waste water and sewerage treatment plants. |
| Concessions | - Design, construction, operation and maintenance of water treatment, waste-water and sewerage treatment plants and water transfer projects. |

In the previous years, the Group had presented its main business segments as water division and waste water division respectively as set out below:

- | | |
|------------------------------|--|
| Water Division ("WD") | - Design, construction, operation and maintenance of water treatment plants and non-revenue water works. |
| Waste Water Division ("WWD") | - Design, building, operation and maintenance of waste water and sewerage treatment plants. |

The comparatives have been restated to conform to current year's presentation.

Geographical segments

Constructions segment is mainly operated in Malaysia, Vietnam, Indonesia, Thailand, and Sri Lanka.

Concessions segment is mainly operated in Republic of China, Malaysia and Vietnam.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

26. Segment reporting (cont'd)

2009	Constructions	Concessions	Others	Eliminations	Consolidated
Business segments	RM'000	RM'000	RM'000	RM'000	RM'000
Total external revenue	274,055	88,913	6,905	-	369,873
Inter segment revenue	-	-	268	(268)	-
Total segment revenue	274,055	88,913	7,173	(268)	369,873
Segment result	10,656	21,956	1,027	-	33,639
Results from operating activities					33,639
Interest income					2,690
Finance costs					(6,661)
Share of profit of equity accounted associate					3,790
Tax expense					(7,385)
Profit for the year					<u>26,073</u>
Segment assets	326,276	367,610	18,280	-	712,166
Investment in associate	-	32,128	-	-	32,128
Total assets	326,276	399,738	18,280	-	744,294
Segment liabilities	204,322	144,803	15,938	-	365,063
Capital expenditure	2,366	41,578	4	-	43,948
Depreciation	1,220	8,376	195	-	9,791
Amortisation of prepaid lease payments	4	826	102	-	932
Change in fair value on investment properties	180	-	-	-	180
Non-cash expense other than depreciation, change in fair value and amortization	1,978	40	3	-	2,021
2008					
Business segments					
Total external revenue	164,298	83,397	4,806	-	252,501
Inter segment revenue	-	-	828	(828)	-
Total segment revenue	164,298	83,397	5,634	(828)	252,501
Segment result	1,169	18,779	(1,612)	-	18,336
Results from operating activities					18,336
Interest income					4,452
Finance costs					(9,513)
Share of profit of equity accounted associate					2,754
Tax expense					(4,140)
Profit for the year					<u>11,889</u>
Segment assets	359,593	292,212	23,811	-	675,616
Investment in associate	-	29,541	-	-	29,541
Total assets	359,593	321,753	23,811	-	705,157
Segment liabilities	220,261	126,803	9,875	-	356,939
Capital expenditure	10,865	13,527	18	-	24,410
Depreciation	1,063	8,827	487	-	10,377
Amortisation of prepaid lease payments	5	1,941	102	-	2,048
Impairment loss on property, plant and equipment	-	-	2,198	-	2,198
Non-cash expense/(income) other than depreciation, impairment loss and amortisation	1,092	(3,487)	(36)	-	(2,431)

26. Segment reporting (cont'd)

In the previous year, the Group business segments were presented as follows:-

Business segments	WD RM'000	WWD RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Total external revenue	210,390	29,048	13,063	-	252,501
Inter segment revenue	-	6,877	298	(7,175)	-
Total segment revenue	210,390	35,925	13,361	(7,175)	252,501
Segment result	14,013	3,362	961	-	18,336
Results from operating activities					18,336
Interest income					4,452
Finance costs					(9,513)
Share of profit of equity accounted associate					2,754
Tax expense					(4,140)
Profit for the year					11,889
Segment assets	622,060	27,783	25,773	-	675,616
Investment in associate	29,541	-	-	-	29,541
Total assets	651,601	27,783	25,773	-	705,157
Segment liabilities	346,931	10,008	-	-	356,939
Capital expenditure	23,383	1,009	18	-	24,410
Depreciation	9,450	440	487	-	10,377
Amortisation of prepaid lease payments	1,946	-	102	-	2,048
Impairment loss on property, plant and equipment	-	-	2,198	-	2,198
Non-cash expense/(income) other than depreciation, impairment loss and amortisation	2,416	(80)	2,162	-	4,498

	Malaysia RM'000	Vietnam RM'000	Indonesia RM'000	Thailand RM'000	Sri Lanka RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Geographical segments									
2009									
Revenue from external customers	203,289	72,137	2,567	-	31,174	60,706	-	-	369,873
Segment assets	260,917	39,847	108	1,136	43,155	366,792	211	-	712,166
Investment in associate	-	32,128	-	-	-	-	-	-	32,128
Total assets	260,917	71,975	108	1,136	43,155	366,792	211	-	744,294
Capital expenditure	2,275	-	-	-	-	41,574	99	-	43,948
2008									
Revenue from external customers	163,046	12,483	431	-	19,638	56,526	377	-	252,501
Segment assets	285,956	63,006	72	-	25,258	301,097	227	-	675,616
Investment in associate	-	29,541	-	-	-	-	-	-	29,541
Total assets	285,956	92,547	72	-	25,258	301,097	227	-	705,157
Capital expenditure	2,394	-	-	-	-	22,016	-	-	24,410

27. Financial instruments

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group and of the Company's businesses. The policies for managing each of these risks are summarised below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount except for government bodies. Fixed deposits are placed only with established banks and financial institutions.

At balance sheet date, there were no significant concentrations of credit risk except for nine (2008 : six) major project debts which accounted for 56% (2008 : 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 31% (2008 : 30%) of net trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group and the Company are highly dependent on the domestic and overseas water and waste water industries.

Interest rate 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.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at the balance sheet date and the periods in which they mature, or if earlier, reprice.

Group	Average	Total	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
	effective interest rate							
2009	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments								
Deposits								
- RM	2.5	17,605	17,605	-	-	-	-	-
- RMB	1.7	31,661	31,661	-	-	-	-	-
		49,266	49,266	-	-	-	-	-
Finance lease creditors (secured)	5.6	(3,938)	(1,154)	(1,192)	(946)	(511)	(135)	-
Floating rate instruments								
Bank overdrafts (unsecured)	7.2	(207)	(207)	-	-	-	-	-
Bankers' acceptances (unsecured)	3.1	(11,428)	(11,428)	-	-	-	-	-
Revolving credits								
- RM	4.2	(4,418)	(4,418)	-	-	-	-	-
- RMB	5.1	(3,780)	(3,780)	-	-	-	-	-
Term loans (unsecured)								
- RMB	6.6	(79,583)	(79,583)	-	-	-	-	-
Term loan (secured)								
- RM	4.8	(7,720)	(7,720)	-	-	-	-	-
		(107,136)	(107,136)	-	-	-	-	-

27. Financial instruments (cont'd)

Effective interest rates and repricing analysis (cont'd)

Group	Average effective interest rate	Total	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
2008	%	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments								
Deposits								
- RM	3.3	86,354	86,354	-	-	-	-	-
- RMB	2.6	45,391	45,391	-	-	-	-	-
		131,745	131,745	-	-	-	-	-
Term loan (unsecured)								
- RM	6.9	(45,000)	(45,000)	-	-	-	-	-
Finance lease creditors (secured)	5.3	(3,165)	(758)	(752)	(763)	(646)	(246)	-
		(48,165)	(45,758)	(752)	(763)	(646)	(246)	-
Floating rate instruments								
Bank overdrafts (unsecured)	8.3	(921)	(921)	-	-	-	-	-
Bankers' acceptances (unsecured)	4.5	(16,361)	(16,361)	-	-	-	-	-
Revolving credits								
- RM	4.9	(6,439)	(6,439)	-	-	-	-	-
- RMB	5.3	(3,825)	(3,825)	-	-	-	-	-
Term loans (unsecured)								
- RMB	6.2	(77,235)	(77,235)	-	-	-	-	-
Term loan (secured)								
- RM	5.5	(9,260)	(9,260)	-	-	-	-	-
		(114,041)	(114,041)	-	-	-	-	-
Company								
2008								
Fixed rate instruments								
Term loan (unsecured)								
- RM	6.9	(45,000)	(45,000)	-	-	-	-	-

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.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

27. Financial instruments (cont'd)

Fair values

The carrying amount of cash and cash equivalents, receivables, deposits and prepayments, payables and accruals, and short term borrowings, approximate fair value due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to bank for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

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

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

Group	2009		2008	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Other investment	86	86	2,086	2,086
Financial liabilities				
Secured term loans:				
RM floating rate loan	7,720	7,720	9,260	9,260
Unsecured term loans:				
RMB floating rate loans	79,583	79,583	77,235	77,235
RM fixed rate loan	-	-	45,000	45,000

Company

Financial liabilities

Secured term loans:				
RM fixed rate loan	-	-	45,000	45,000

Unrecognised financial instruments

The valuation of financial instruments not recognised in the balance sheet reflects their current market rates at the balance sheet date.

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are:

	2009 Contracted amount RM'000	2009 Fair value RM'000	2008 Contracted amount RM'000	2008 Fair value RM'000
Forward foreign exchange contract (Purchase)				
- AUS Dollars	3,213	(158)	-	-
- EURO	21,186	90	-	-
- US Dollars	9,248	15	-	-
	33,647	(53)	-	-

27. Financial instruments (cont'd)

Fair values (cont'd)

	2009 Contracted amount RM'000	2009 Fair value RM'000	2008 Contracted amount RM'000	2008 Fair value RM'000
Forward foreign exchange contract (Sale)				
- EURO	60,358	1,240	-	-
- JPY	12,164	62	17,310	(790)
- US Dollars	9,248	(10)	-	-
	<u>81,770</u>	<u>1,292</u>	<u>17,310</u>	<u>(790)</u>

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. These foreign exchange contracts would all expire within a year from balance sheet date.

28. 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Bank guarantees given to financial institutions in respect of facilities granted to subsidiary companies	-	-	473,594	373,021
Bank guarantee given to third parties relating to performance, tender and advance payment bonds				
- unsecured	179,710	144,295	-	-
Guarantees given in favour of third parties - unsecured	10,918	-	10,918	-
	<u>10,918</u>	<u>-</u>	<u>10,918</u>	<u>-</u>

29. 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.

29. Related parties (cont'd)

Company	Transaction value	
	Year ended	
	31 December	
	2009	2008
	RM'000	RM'000
Interest income	1,456	1,984
Advance to subsidiaries	22,251	49,569

The outstanding balances due from subsidiary companies are disclosed in Note 12.

30. Operating leases

Leases and lessee

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liabilities is as follow:

	Group	
	2009	2008
	RM'000	RM'000
Future minimum rental payable		
Less than one year	921	-
Between one and five years	425	-
	1,346	-

31. Commitments

	2009	2008
	RM'000	RM'000
Guaranteed minimum gross rental		
Contracted but not provided for in the financial statements	1,829	-

32. Acquisition of subsidiaries

Business combination

Salcon Engineering Berhad, a wholly-owned subsidiary of Salcon Berhad, had on 20 January 2009, incorporated Salcon Engineering Vietnam Company Limited ("SEV"), a company incorporated in Vietnam with paid up capital of USD250,000 divided into 1 share of USD 1.00 each. This change had no material impact on the earnings and net assets of the Group during the financial year.

32. Acquisition of subsidiaries (cont'd)

Business combination (cont'd)

During the financial year, 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
Cash and cash equivalents		30,277
Minority interest		(10,032)
Net identifiable assets and liabilities		<u>20,245</u>
Intangible assets on acquisition	4	<u>1,034</u>
Consideration paid		21,279
Cash acquired		(30,277)
Net cash inflows		<u>(8,998)</u>

In 2008, the acquisition of Nan An Salcon Water 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	8,527
Cash and cash equivalents		39,328
Minority interest		(17,038)
Net identifiable assets and liabilities		<u>30,817</u>
Intangible assets on acquisition	4	<u>4,574</u>
Consideration paid		35,391
Cash acquired		(39,328)
Net cash inflows		<u>(3,937)</u>

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.

33. Disposal of subsidiary

In 2008, a wholly-owned subsidiary of the Company disposed of its entire 60% equity interest in Chenggong Salcon Water Company Limited for a cash consideration of RMB20.01 million (approximately RM10.15 million).

The disposal had the following effect on the Group's assets and liabilities on disposal date:

Group	Note	Carrying amount RM'000
Property, plant and equipment	3	17,127
Current assets		8,115
Current liabilities		(13,455)
Minority interest		(4,333)
Intangible assets	4	1,476
Net assets		8,930
Gain on disposal		1,225
Disposal consideration		10,155
Other receivables		(9,845)
Consideration received, satisfied in cash		310
Cash and cash equivalent disposed		(360)
Net cash outflow		(50)

34. Significant events during the year

- (i) On 19 January 2009, a subsidiary of the Group has entered into a Sale and Purchase Agreement to dispose of its freehold building together with the office equipment and furniture and fittings for a total consideration of RM7.5 million to a third party (Note 14).
- (ii) On 11 February 2009, the Company has written officially to Maika Holdings Berhad ("Maika") on the proposed acquisition of 74.2% equity interest in Oriental Capital Assurance Bhd, to confirm the rescission of the Share Sale Agreement ("SSA") dated 28 August 2007 and to further request for the full refund of the deposit paid pursuant to the SSA, after taking into consideration the on-going legal proceedings filed against Maika, and the subsisting restraining order granted against Maika.

On 20 March 2009, the Company has received the full refund of deposit amounting to RM12,981,000 from the stakeholder.

- (iii) On 15 June 2009, the Company has entered into Guarantee and Indemnity Agreement with a third party where the Company has guaranteed a minimum gross rental income of RM2 million for a period of 30 months in relation to the Sale and Purchase Agreement entered by a subsidiary of the Group to dispose of its freehold building together with the office equipment and furniture and fittings.



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 70 to 122 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 2009 and of their financial performance and cash flows for the financial year then ended.

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

.....
Dato' Seri Goh Eng Toon

.....
How See Hock

Kuala Lumpur,

Date: 27 April 2010

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 70 to 122 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 on 27 April 2010.

.....
Law Woo Hock

Before me:

.....
P. Thurirajoo AMM. PJK.
(W 438)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report to the members of Salcon Berhad

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

Report on the Financial Statements

We have audited the financial statements of Salcon Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 70 to 122.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 Company's preparation and fair presentation of the financial statements 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 Company'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.

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 2009 and of their financial performance and cash flows for the financial 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 or any adverse comment made under Section 174(3) of the Act.

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

Petaling Jaya,

Date: 27 April 2010

Foong Mun Kong

Approval Number: 2613/12/10(J)
Chartered Accountant

particulars of group properties

The properties of the Group at 31 December 2009 and their net book values (“NBV”) are indicated below:

Freehold Land And Building

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	149 sq. metres of intermediate unit 1½ storey terraced factory	13 years	14.03.2002	255
Envitech Sdn Bhd	HS(D) 3422, Lot No. 3988, Mukim Damansara, Daerah Petaling, Selangor/No. 67, Jalan SS15/5A, 47500 Subang Jaya, Selangor Darul Ehsan	164 sq. metres of intermediate unit 3 storey terraced shop-office	30 years	15.03.2002	836
					1,091

Long-Term Leasehold Properties

Company	Location/Address	Description/ Existing use	Tenure	Date of Acquisition/ Revaluation	NBV RM'000
Shandong Changle Salcon Water Co. Ltd.	LeGuoYong2003, CL640 No. B003, Changle County, Nanliu Village, Shandong Province, People's Republic of China.	10,872 sq. metres for public and municipal utilities use.	50 years leasehold expiring on 19.01.2053	16.11.2003	1,458
Shandong Changle Salcon Water Co. Ltd.	LeGuoYong2003, CL641 No. B005, Changle County, Nanliu Village, Shandong Province, People's Republic of China.	4,082 sq. metres for public and municipal utilities use.	50 years leasehold expiring on 9.01.2053	16.11.2003	2,115
Shandong Changle Salcon Water Co. Ltd.	Western end north side of outside ring road of Changle County, Shandong Province, People's Republic of China.	32,617 sq. metres for public and municipal utilities use.	30 years leasehold expiring on 05.01.2036	05.01.2006	3,843
Linyi Salcon Water Co. Ltd.	Dong Bei Yuan Water Plant Northern Yi Meng Road, Linyi City, Shandong Province, People's Republic of China.	34,467 sq. metres for public and municipal utilities use.	30 years leasehold expiring on 07.11.2035	07.11.2005	21,075

Long-Term Leasehold Properties (continued)

Company	Location/Address	Description/ Existing use	Tenure	Date of Acquisition/ Revaluation	NBV RM'000
Haining Salcon Water Co. Ltd.	No. 37 Nan Xu Jia Men, Shuang Xi Qiao Village, Hai Chang Street, Haining City, Zhejiang Province, People's Republic of China.	20,386 sq. metres for public and municipal utilities use.	30 years leasehold expiring on 09.09.2036	10.09.2006	51,548
Salcon Building Services Sdn Bhd	HSD 175343 PT 34, Bandar Petaling Jaya, District of Petaling, Selangor Darul Ehsan.	9,376.5 sq. metres of office and warehouse space.	99 years leasehold expiring on 22.08.2070	20.11.2007	7,343
					87,382

analyses of shareholdings & warrant holdings

as at 30 April 2010

Analysis of Shareholdings

Authorised share capital	:	RM500,000,000
Issued and paid-up share capital	:	RM233,860,402
Class of shares	:	Ordinary share of RM0.50 each
Voting rights : On show of hands	:	One vote for each shareholder
On poll	:	One vote for each ordinary share

Distribution of Shareholdings

Size of shareholdings	Number of shareholders	Number of shares	Percentage of issued capital
Less than 100	1,433	73,626	0.016
100 - 1,000	951	535,820	0.114
1,001 - 10,000	3,554	19,911,455	4.257
10,001 - 100,000	1,896	64,029,922	13.690
100,001 - less than 5% of issued shares	300	261,062,981	55.816
5% and above of issued shares	3	122,107,000	26.107
Total	8,137	467,720,804	100.00

List of Substantial Shareholders

Name of substantial shareholders	Direct Interest		Indirect Interest	
	No. of shares	Percentage of issued capital	No. of shares	Percentage of issued capital
Naga Muhibah Sdn Bhd	66,709,600	14.262	-	-
Dato' Seri Goh Eng Toon	-	-	66,709,600	14.262
Datin Seri Kee Seok Ai	-	-	66,709,600	14.262
Infra Tropika Sdn Bhd	29,397,400	6.285	-	-
Dato' Tee Tiam Lee	26,096,400	5.579	29,397,400	6.285
Tee Xun Hao	-	-	29,397,400	6.285

List of 30 Largest Shareholders

No.	Name of shareholders	No. of shares	Percentage of issued capital
1	Naga Muhibah Sdn Bhd	66,709,600	14.262
2	Infra Tropika Sdn Bhd	29,397,400	6.285
3	HDM Nominees (Tempatan) <i>Tee Tiam Lee</i>	26,000,000	5.559
4	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledge Securities Account for Chua Carmen (Dealer)</i>	14,881,500	3.182
5	HDM Nominees (Tempatan) Sdn Bhd <i>Leong Lai Shen</i>	13,000,000	2.779
6	HDM Nominees (Tempatan) Sdn Bhd <i>Teng Li Ling</i>	13,000,000	2.779
7	HSBC Nominees (Asing) Sdn Bhd <i>RBS Coutts SG for Beadle Group Limited</i>	11,157,300	2.385

List of 30 Largest Shareholders (cont'd)

No.	Name of shareholders	No. of shares	Percentage of issued capital
8	Pembinaan Punca Cergas Sdn Bhd	10,000,000	2.138
9	HSBC Nominees (Asing) Sdn Bhd <i>RBS Coutts SG for Grandly Star Capital Limited</i>	9,700,000	2.074
10	How Teng Teng	9,638,400	2.061
11	Amanahraya Trustees Berhad <i>Public Islamic Equity Fund</i>	9,418,300	2.014
12	Kong Sum Mooi	8,260,600	1.766
13	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	8,040,000	1.719
14	AIBB Nominees (Tempatan) Sdn Bhd <i>Hawang Kim Lian</i>	7,118,500	1.522
15	Leong Lai Shen	5,840,533	1.249
16	Warisan Harta Sabah Sdn Bhd	5,785,200	1.237
17	Teng Li Ling	5,310,300	1.135
18	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt An for American International Assurance</i>	5,007,400	1.071
19	Hari Narayanan a/l Govindasamy	4,400,000	0.940
20	Cartaban Nominees (Asing) Sdb Bhd <i>RBC Dexia Investor Services Bank for Sam Sustainable Water Evolution Fund (JB Multiflex)</i>	4,100,000	0.877
21	EB Nominees (Tempatan) Sendirian Berhad <i>Pledge Securities Account for Jaggit Singh a/l Tara Singh (SFC)</i>	3,390,000	0.725
22	Koperasi Permodalan Felda Berhad	3,000,000	0.641
23	Mayban Nominees (Tempatan) Sdn Bhd <i>Mayban Trustees Berhad for CIMB-Principal Small Cap Fund (240218)</i>	2,600,000	0.556
24	HSBC Nominees (Asing) Sdb Bhd <i>Exempt An for Credit Suisse (SG BR-TST-Asing)</i>	2,380,100	0.509
25	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledge Securities Account for Yap Kim San (SMT)</i>	2,200,000	0.470
26	Universal Trustee (Malaysia) Berhad <i>CIMB Islamic Small Cap Fund</i>	2,050,000	0.438
27	Choong Moh Kheng	2,000,000	0.428
28	JFCB Holdings Sdn Bhd	2,000,000	0.428
29	Leong Fee Foon	2,000,000	0.428
30	Tan Kok Sing	2,000,000	0.428
	Total	290,385,133	62.085

Analysis of Warrant Holdings

Number of outstanding warrants 2007/2014	:	104,912,701
Exercise price	:	RM0.75
Exercise period	:	18 May 2007 to 17 May 2014
Exercise rights	:	Each warrant entitles the holder to subscribe for one new ordinary share of RM0.50 each in the Company
Voting rights : On show of hands	:	One vote for each warrant holder
On poll	:	One vote for each warrant

Distribution of Warrant Holdings

Size of warrant holdings	Number of warrant holders	Number of warrants	Percentage of outstanding warrants
Less than 100	368	17,290	0.017
100 - 1,000	355	200,630	0.191
1,001 - 10,000	561	2,517,789	2.400
10,001 - 100,000	239	8,047,049	7.670
100,001 - less than 5% of outstanding warrants	57	46,168,625	44.007
5% and above of outstanding warrants	5	47,961,318	45.715
Total	1,585	104,912,701	100.00

List of 30 Largest Warrant Holders

No.	Name of warrant holders	No. of warrants	Percentage of outstanding warrants
1	Naga Muhibah Sdn Bhd	16,704,800	15.923
2	Leong Lai Shen	12,080,088	11.514
3	Infra Tropika Sdn Bhd	7,370,650	7.026
4	Teng Eng Li Ling	6,500,000	6.196
5	HSBC Nominees (Asing) Sdn Bhd <i>RBS Coutts SG for Grandly Star Capital Limited</i>	5,305,780	5.057
6	Chai Seong Min	5,028,450	4.793
7	Kong Sum Mooi	4,764,750	4.542
8	HDM Nominees (Asing) Sdn Bhd <i>UOB Kay Hian (Hong Kong) Ltd for K.I.P. Investment Holdings Ltd</i>	4,050,000	3.860
9	Chai Moy Fong	3,867,615	3.687
10	Leong Kok Wah	3,600,000	3.431

List of 30 Largest Warrant holders (continued)

No.	Name of warrant holders	No. of warrants	Percentage of outstanding warrants
11	HSBC Nominees (Asing) Sdn Bhd <i>RBS Coutts SG for Grandly Star Capital Limited</i>	2,500,000	2.383
12	Seraya Acres Sdn Bhd	2,500,000	2.383
13	How Teng Teng	2,409,600	2.297
14	Citigroup Nominees (Tempatsn) Sdn Bhd <i>Exempt An for Prudential Fund Management Berhad</i>	1,564,650	1.491
15	Shum Yuen Ming	1,417,000	1.350
16	Leong Fee Foon	1,000,000	0.953
17	Tan Kok Sing	1,000,000	0.953
18	Hari Narayanan a/l Govindasamy	850,000	0.810
19	EB Nominees (Tempatan) Sendirian Berhad <i>Pledge Securities Account for Jagjit Singh a/l Tara Singh (SFC)</i>	572,500	0.545
20	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pheim Asset Management Sdn Bhd for Employees Provident Fund</i>	519,400	0.495
21	Lee Thiam Lai	500,000	0.477
22	Loo Say Peng	500,000	0.477
23	Ong Aun Kung	500,000	0.477
24	Mahadevan a/l Kathirgamathamby	482,950	0.460
25	How See Hock	469,950	0.448
26	Lim Eng Thong	450,000	0.429
27	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledge Securities Account for Tan Hun Meng (SMT)</i>	417,000	0.397
28	Thoon Soon Ling	400,000	0.381
29	Tan Kok Sing	388,250	0.370
30	Antara Consolidated Sdn Bhd	350,000	0.334
	Total	88,063,433	83.939

Directors' Interests in the Company and Related Corporations

Directors' Shareholdings

Name of Directors	Direct Interest		Indirect Interest	
	No. of shares	Percentage of issued capital	No. of shares	Percentage of issued capital
Dato' Seri Goh Eng Toon	-	-	66,709,600 ⁽¹⁾	14.262
Dato' Tee Tiam Lee	26,096,400	5.579	29,397,400 ⁽²⁾	6.285
How See Hock	1,867,900	0.399	214,900 ⁽³⁾	0.046
Dato' Leong Kok Wah	-	-	200,000*	0.043
Jaggit Singh a/l Tara Singh	3,390,000	0.725	-	-
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-	-	-
Dato' Dr Freezailah bin Che Yeom	50,400	0.011	-	-
Ho Tet Shin	-	-	21,400 [#]	0.005

Directors' Warrant Holdings

Name of Directors	Direct Interest		Indirect Interest	
	No. of warrants	Percentage of outstanding warrants	No. of warrants	Percentage of outstanding warrants
Dato' Seri Goh Eng Toon	-	-	16,704,800 ⁽¹⁾	15.922
Dato' Tee Tiam Lee	-	-	7,370,650 ⁽²⁾	7.026
How See Hock	469,950	0.448	118,700 ⁽³⁾	0.113
Dato' Leong Kok Wah	3,600,000	3.431	-	-
Jaggit Singh a/l Tara Singh	572,500	0.546	-	-
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-	-	-
Dato' Dr Freezailah bin Che Yeom	12,700	0.012	-	-
Ho Tet Shin	-	-	10,700 [#]	0.010

Notes:-

(1) Indirect interest held through Naga Muhibah Sdn Bhd

(2) Indirect interest held through Infra Tropika Sdn Bhd

(3) Indirect interest held through his spouse

* Indirect interest held through his children

Indirect interest held under the estate of his spouse

Other than Integrated Water Services (M) Sdn Bhd, Mr Jaggit Singh a/l Tara Singh does not have any interest in shares of other related corporations.

appendix 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF SALCON BERHAD

The existing Articles of Association (“Articles”) of the Company is proposed to be amended as set out in the third column below:-

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS
To amend Article 66	All business shall be deemed special that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of the receipts and consideration of the profit and loss account, the balance sheet and group account (if any) of the Company and the reports of the directors and auditors and other documents required to be annexed to the balance sheet, the declaration of dividends, the election of directors and other officers in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.	All business shall be deemed special that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of the receipts and consideration of the profit and loss account, the balance sheet and group account (if any) of the Company and the reports of the directors and auditors and other documents required to be annexed to the balance sheet, the declaration of dividends, the election of directors and other officers in the place of those retiring, payment of Directors’ fees , and the appointment of, and the fixing of the remuneration of the auditors.
To amend Article 92	The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposes to vote, or in the case of a poll, not less than twenty four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.	The instrument appointing a proxy, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority, shall be deposited at the Registered Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, as the case may be, at which the person named as proxy in such instrument proposes to vote, or in the case of a poll, not less than twenty four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid. A member shall not be precluded from attending and voting in person at any general meeting after lodging the form of proxy but however such attendance shall automatically revoke the proxy’s authority.
To amend Article 134	The Secretary shall, in accordance with the Act, be appointed by the directors for such term, at such remuneration, and upon such conditions as the directors think fit and any Secretary so appointed may be removed by them but without prejudice to any claim he or they may have for damages for breach of any contract of service with the Company. The directors may from time to time by resolution appoint a temporary substitute for the Secretary who shall be deemed to be the Secretary during the term of his appointment.	(i) The Secretary shall, in accordance with the Act, be appointed by the directors for such term, at such remuneration, and upon such conditions as the directors think fit and any Secretary so appointed may be removed by them but without prejudice to any claim he or they may have for damages for breach of any contract of service with the Company. The directors may from time to time by resolution appoint a temporary substitute for the Secretary who shall be deemed to be the Secretary during the term of his appointment.

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS
<p>To amend Article 134 (continued)</p>		<p>(ii) The office of the Secretary shall be vacated if the Secretary resigns by notice in writing to the Company, left at the Registered Office and copies sent to all the directors for the time being at their last known residential addresses. Where a Secretary gives notice of resignation to the directors, the Secretary shall cease to act as Secretary with immediate effect, and unless provided in the terms of engagement, within the stipulated time.</p>
<p>To amend Article 150</p>	<p>Subject to the provisions of the Act, the Central Depositories Act and the Rules, any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the address of the holder in the Register or Record of Depositors or, if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct. Subject to the provisions of the Act, the Central Depositories Act and the Rules, every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.</p>	<p>Any dividend, interest, or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the person whose name appear in the Register or Record of Depositors or to such person and to such address as the holder may in writing direct or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall be sent at the risk of the person entitled to the money represented thereby.</p>

ARTICLE	EXISTING PROVISIONS	AMENDED PROVISIONS
<p>To amend Article 155</p>	<p>The directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of accounts relating to it such as the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months. A copy of each of such documents shall not less than fourteen (14) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange shall at the same time be likewise sent to the Exchange Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any members to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Registered Office.</p>	<p>The directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of accounts relating to it such as the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months. A copy of each of such documents shall not less than fourteen (14) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange shall at the same time be likewise sent to the Exchange Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any members to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Registered Office. For avoidance of doubt, the Company shall be entitled to send the copy of every balance sheet, profit and loss account and the directors' and auditors' reports (including every document required by law to be annexed thereto) to the members via CD-ROM or other electronic means.</p>

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Proxy Form

I/We.....
(PLEASE USE BLOCK CAPITAL)

of.....
(FULL ADDRESS)

being a member/members of **SALCON BERHAD** hereby appoint.....

.....of

..... or failing whom,of

.....or failing

him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Seventh Annual General Meeting of the Company to be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2010 at 10.30 a.m. and at any adjournment thereof.

No.	Resolutions	*For	*Against
1.	To approve the payment of the first and final dividend of 1.5 sen per share, tax exempt.		
2.	To re-elect Jagjit Singh a/l Tara Singh as Director.		
3.	To re-elect Dato' Tee Tiam Lee as Director.		
4.	To re-elect How See Hock as Director.		
5.	To re-elect Dato' Leong Kok Wah as Director.		
6.	To re-appoint Dato' Seri Goh Eng Toon as Director.		
7.	To re-appoint Dato' Dr Freezailah bin Che Yeom as Director.		
8.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	To approve the payment of Directors' fees for the financial year ended 31 December 2009.		
10.	To grant the authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.		
11.	To approve the Proposed Amendments to the Articles of Association of the Company		

(*Please indicate with an "X" in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this day of 2010

.....
Signature of Shareholder or Common Seal

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.

<p>Number of shares held:</p> <p>If more than 1 proxy, please specify number of shares represented by each proxy</p> <p>Name of Proxy 1:</p> <p>Name of Proxy 2:</p>

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STAMP

SALCON BERHAD (593796-T)

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

2nd FOLD HERE

Water Solutions For Life



SALCON BERHAD (893796-T)
15th Floor, Menara Summit,
Persiaran Kewajipan USJ 1,
47600 UEP Subang Jaya,
Selangor Darul Ehsan,
MALAYSIA.

POSTAL ADDRESS :
P.O. Box 3015,
47509 UEP Subang Jaya,
Selangor Darul Ehsan,
MALAYSIA.

GENERAL : 603 - 8024 8822
FAX : 603 - 8024 8811