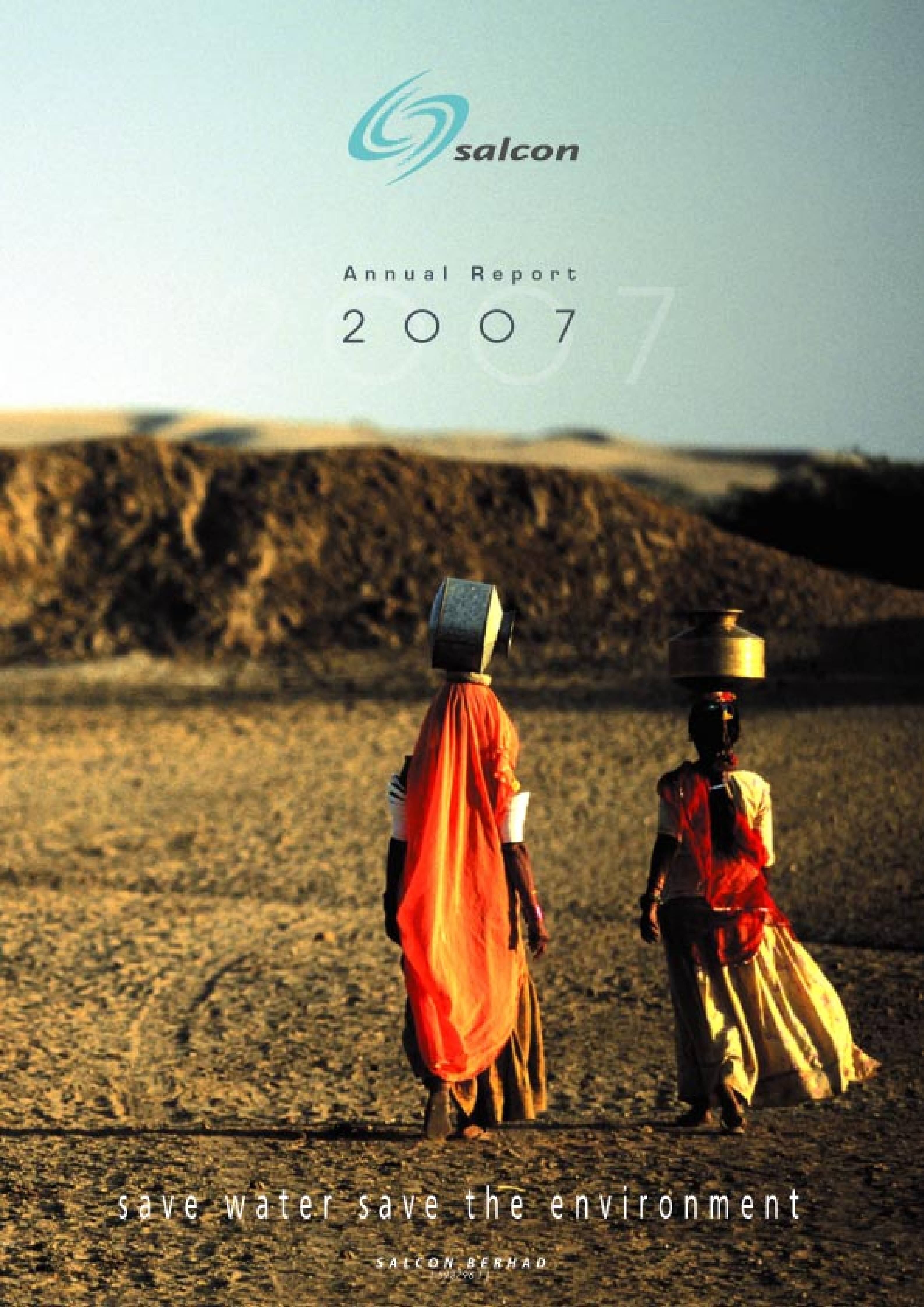


salcon

Annual Report

2007

save water save the environment

SALCON BERHAD

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 social responsibilities

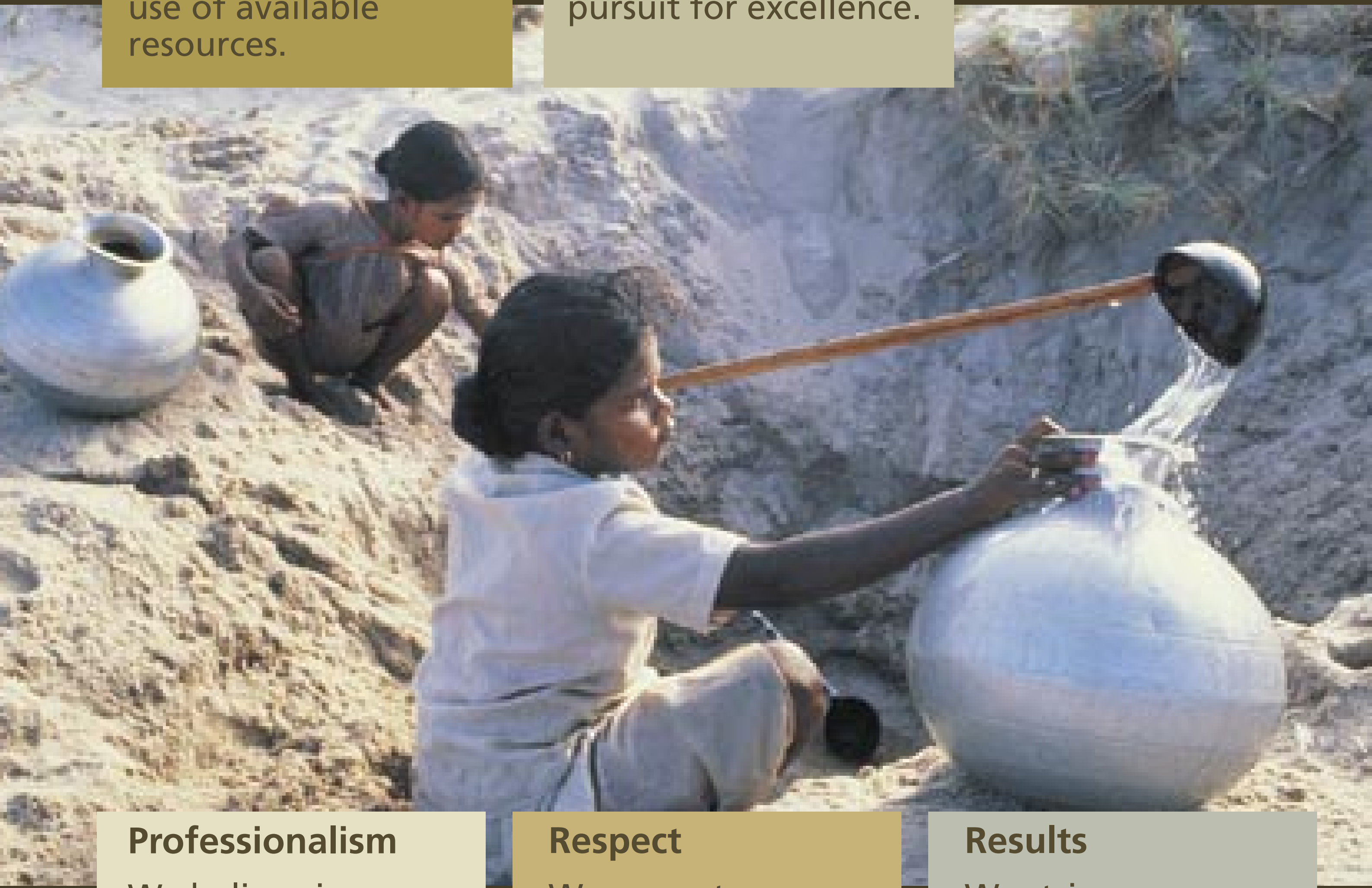
core values

Commitment

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

Teamwork

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



Professionalism

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

Respect

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

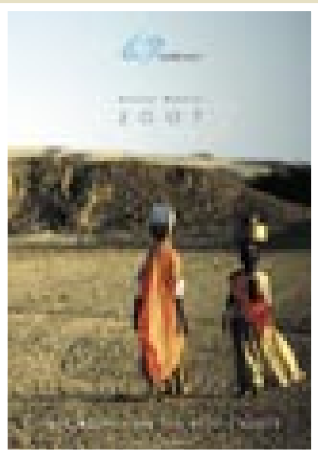
Results

We strive towards maximizing stakeholders' values and returns.

Raw Water Extraction and Treated Water Pumping Station at Kota Tinggi, Johor


salcon
SALCON BERHAD (593796-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

contents



cover rationale

The fact is, the world is ringing its alarm bells over environmental pollution and is demanding for safe water and sanitation. Salcon Berhad takes it as a mission to constantly improve itself, to employ better technologies and to reach out its helping hand to those who are thirsty for safe water and sanitation.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Selangor Ballroom 2, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 26 June 2008 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of the Directors and Auditors thereon.

   (Resolution 1)

2. To approve payment of Directors' fees for the financial year ended 31 December 2007.

   (Resolution 2)

3. To re-elect Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas as Director of the Company.

   (Resolution 3)

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

   (Resolution 4)

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Ordinary/Special Resolutions:

5. Special Resolution
   Re-appointment Pursuant to Section 129(6) of the Companies Act, 1965 (SEE NOTE 2.1)

   "THAT, pursuant to Section 129 (6) of the Companies Act, 1965, Dato' Seri Goh Eng Toon be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."

   (Resolution 5)

6. Ordinary Resolution
   Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 (SEE NOTE 2.2)

   "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 hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to issue and allot 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 6)

7. Ordinary Resolution
   Authority to Allot and Issue Shares Pursuant to the Employees' Share Option Scheme ("ESOS") (SEE NOTE 2.3)

   "THAT, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM0.50 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the ESOS, which was approved by an Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 22 July 2003."

   (Resolution 7)

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

BY ORDER OF THE BOARD

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

Petaling Jaya, Selangor
4 June 2008

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. Explanatory Notes to Special Business:

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

The proposed Resolution 5, if passed, will authorise the continuity in office of the Director (who is over the age of 70 years) until the next Annual General Meeting.

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

The proposed Resolution 6, if passed, will give the Directors the authority to allot and issue new ordinary shares up to an amount not exceeding 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority 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.

2.3 AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The proposed Resolution 7, if passed, will give the Directors the authority to allot and issue new ordinary shares pursuant to the ESOS. This authority 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.

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 Bursa Malaysia Securities Berhad)

Name of Director who is standing for re-election at the Fifth Annual General Meeting is as follows:-

1. Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas

   The profile of the above Director is set out in the section entitled "Profile of Directors" on pages 14 - 15. The details of his interest in the securities of the Company are set out in the section entitled "Analyses of Shareholdings and Warrantholdings" on pages 109 - 113.

corporate information

Board of Directors

Dato' Seri Goh Eng Toon
Chairman, Non-Independent
Non-Executive Director

Jaggit Singh a/l Tara Singh
Executive Director

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

Audit Committee

Ho Tet Shin (Chairman)

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

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)

Jaggit Singh a/l Tara Singh

How See Hock

Risk Management Committee

Jaggit Singh a/l Tara Singh

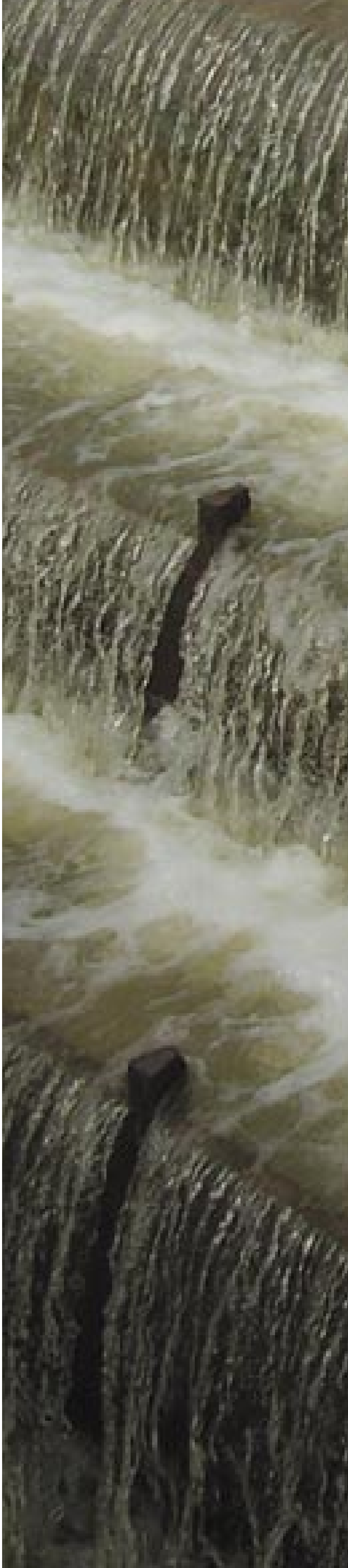
How See Hock

Ho Tet Shin

ESOS Committee

Jaggit 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 (AF0758)
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

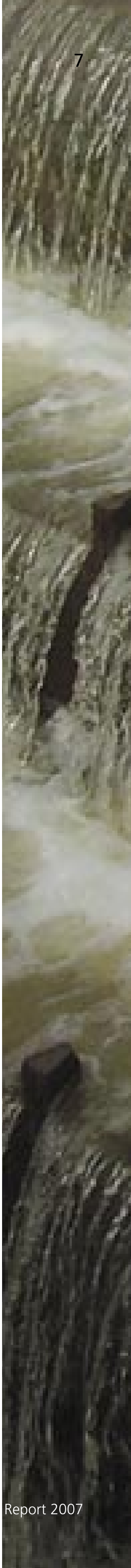
PFA Registration Services Sdn Bhd
Level 13, Uptown 1, No. 1, Jalan SS 21/58
Damansara Uptown, 47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7725 4888
Fax : 603-7722 2311

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

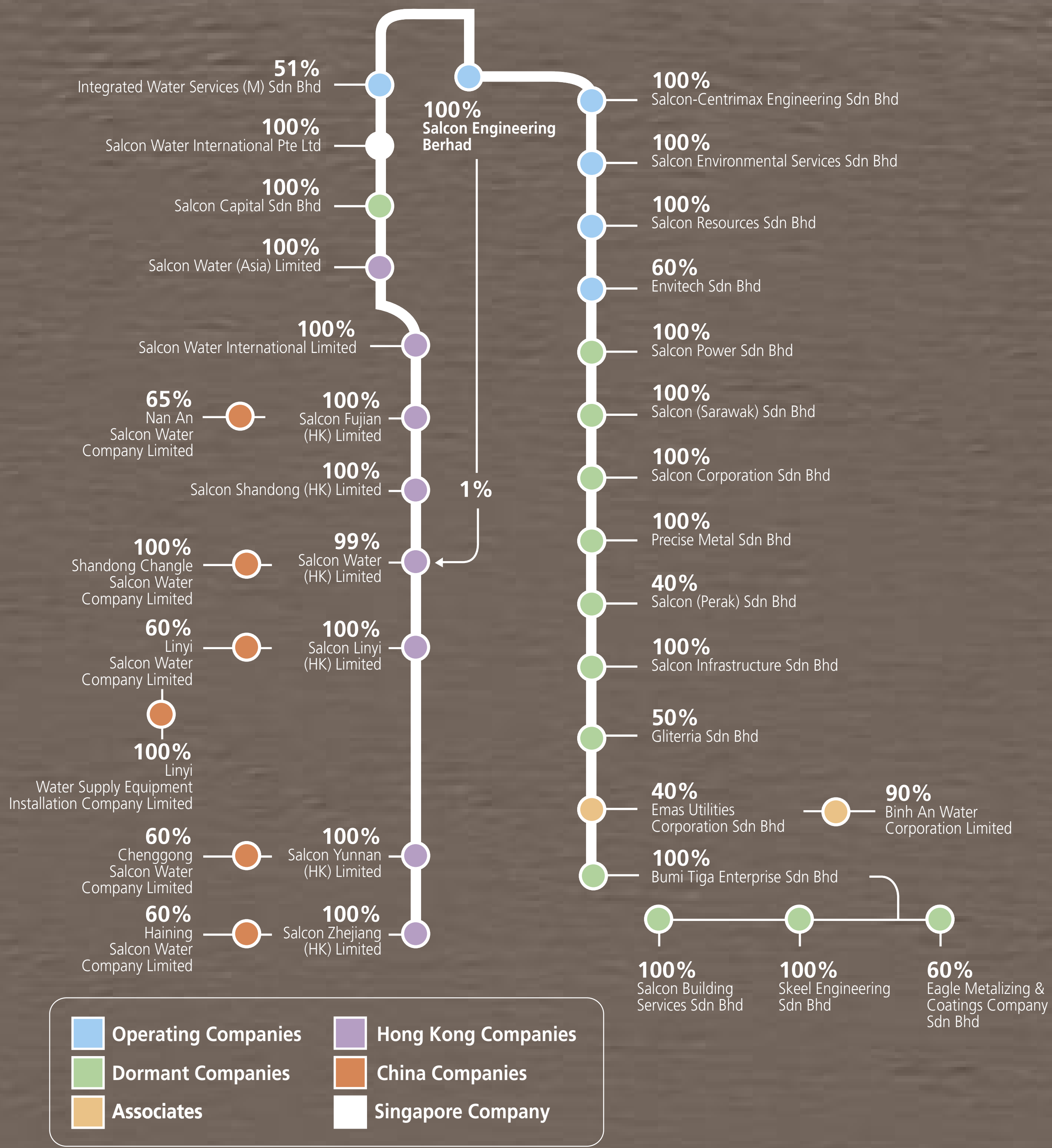
www.salcon.com.my



coporate structure

salcon

SALCON BERHAD
(593796-T)

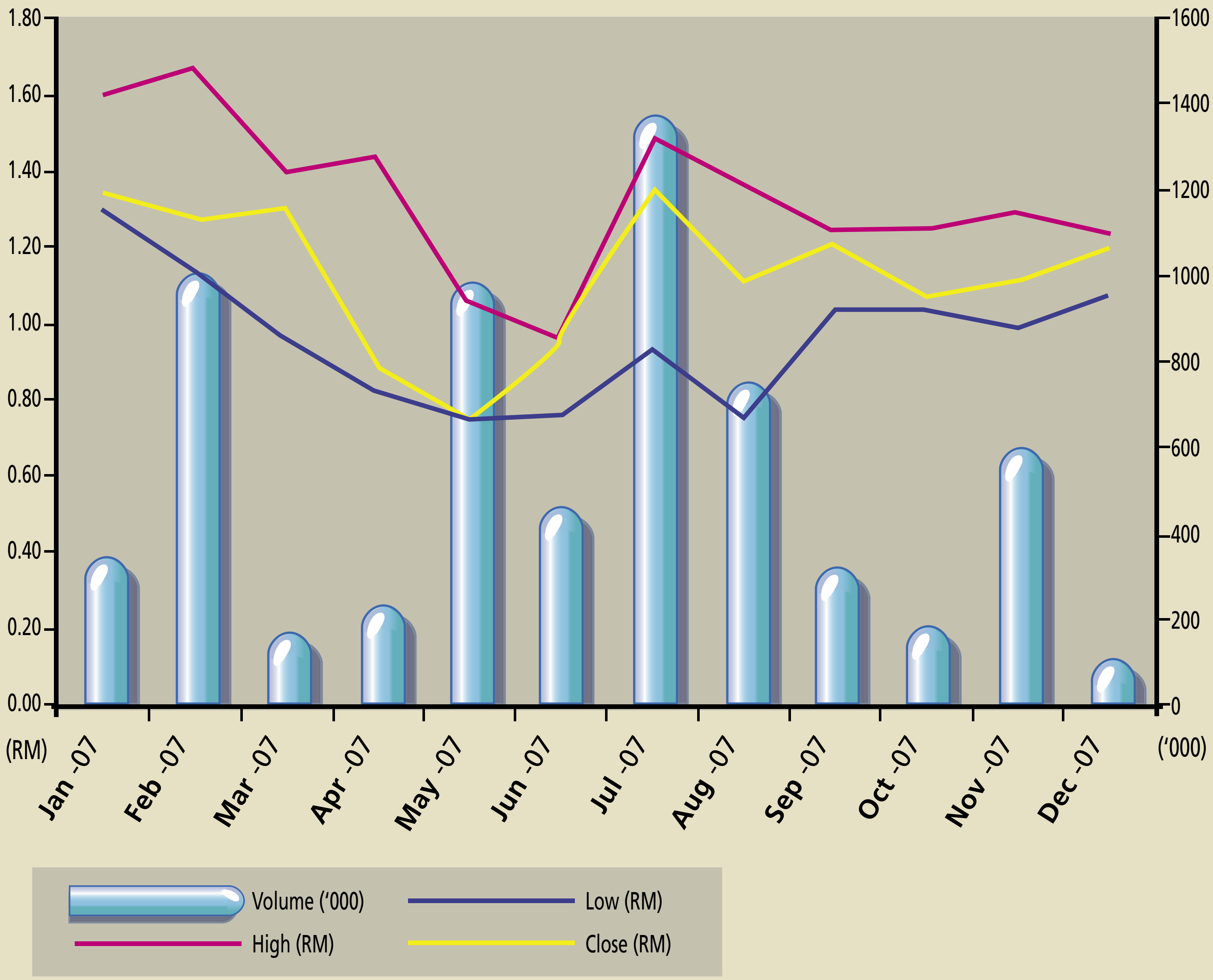


share price

Salcon Berhad Share Price 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
High (RM)	1.60	1.67	1.40	1.44	1.06	0.96
Low (RM)	1.30	1.14	0.96	0.82	0.75	0.76
Close (RM)	1.34	1.28	1.3	0.88	0.75	0.96
Volume (RM)	346	1008	169	235	985	461

	Jul-07	Aug-07	Sep-07	Oct (RM)	Nov (RM)	Dec (RM)
High (RM)	1.49	1.37	1.25	1.25	1.29	1.24
Low (RM)	0.93	0.75	1.03	1.04	0.99	1.07
Close (RM)	1.36	1.11	1.21	1.07	1.12	1.2
Volume (RM)	1372	743	319	185	599	105



salcon in the news


Salcon set for foreign ops gains
Salcon gets Sabah sewerage project
Salcon wins RM43m contract
應對員工過剩
人力資源最棘手
Sri Lanka water deal for Salcon
SALCON Bhd said it has won a RM124.6 million water supply contract in Sri Lanka. The Batticaloa project was awarded by the National
SALCON BERHAD
Salcon wins China deal
build non-potable water plant in Nanfang district
Salcon secures RM73m project in Vietnam
Salcon to double revenue
China ops to boost sales this year
Company banks on jobs abroad to boost earnings
Projek Salcon di Sri Lanka
RM57.1j

board of directors

1. **Dato' Seri Goh Eng Toon**
   Chairman, Non-Independent Non-Executive Director

2. **Jaggit Singh a/l Tara Singh**
   Executive Director

3. **Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas**
   Independent Non-Executive Director

4. **Dato' Dr Freezailah bin Che Yeom**
   Independent Non-Executive Director

5. **Ho Tet Shin**
   Independent Non-Executive Director

profile of directors

Dato' Seri Goh Eng Toon

Chairman, Non-Independent Non-Executive Director

Dato' Seri Goh Eng Toon, aged 74, 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 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.

Jaggit Singh a/l Tara Singh

Executive Director

Mr. Jaggit Singh, aged 60, was appointed to the Board 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, Employee Share Option Scheme ("ESOS") Committee, and Risk Management Committee of the Company.

Dato' Dr Freezailah bin Che Yeom

Independent Non-Executive Director

Dato' Dr. Freezailah bin Che Yeom, aged 68, 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 Chairman of the Malaysian Timber Certification Council. He is also a council member of the newly established 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.

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

Independent Non-Executive Director

Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas, aged 63, was appointed to the Board of Salcon on 21 July 2003.

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

Dato' Seri Megat 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 is 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 sits as an executive committee member of Transparency International Malaysia.

Dato' Seri Megat 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, and the Non-Executive Chairman of Tradewinds Corporation Berhad, Asian Pac Holdings Berhad, Majuperak Holdings Berhad and Formis Resources Berhad (formerly known as MY-Info Tech (M) Berhad). He also sits on the Boards of SEG International Berhad, and Dialog Group Berhad.

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

Ho Tet Shin

Independent Non-Executive Director

Mr. Ho Tet Shin, aged 57, was appointed to the Board on 5 August 2005.

He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public 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.

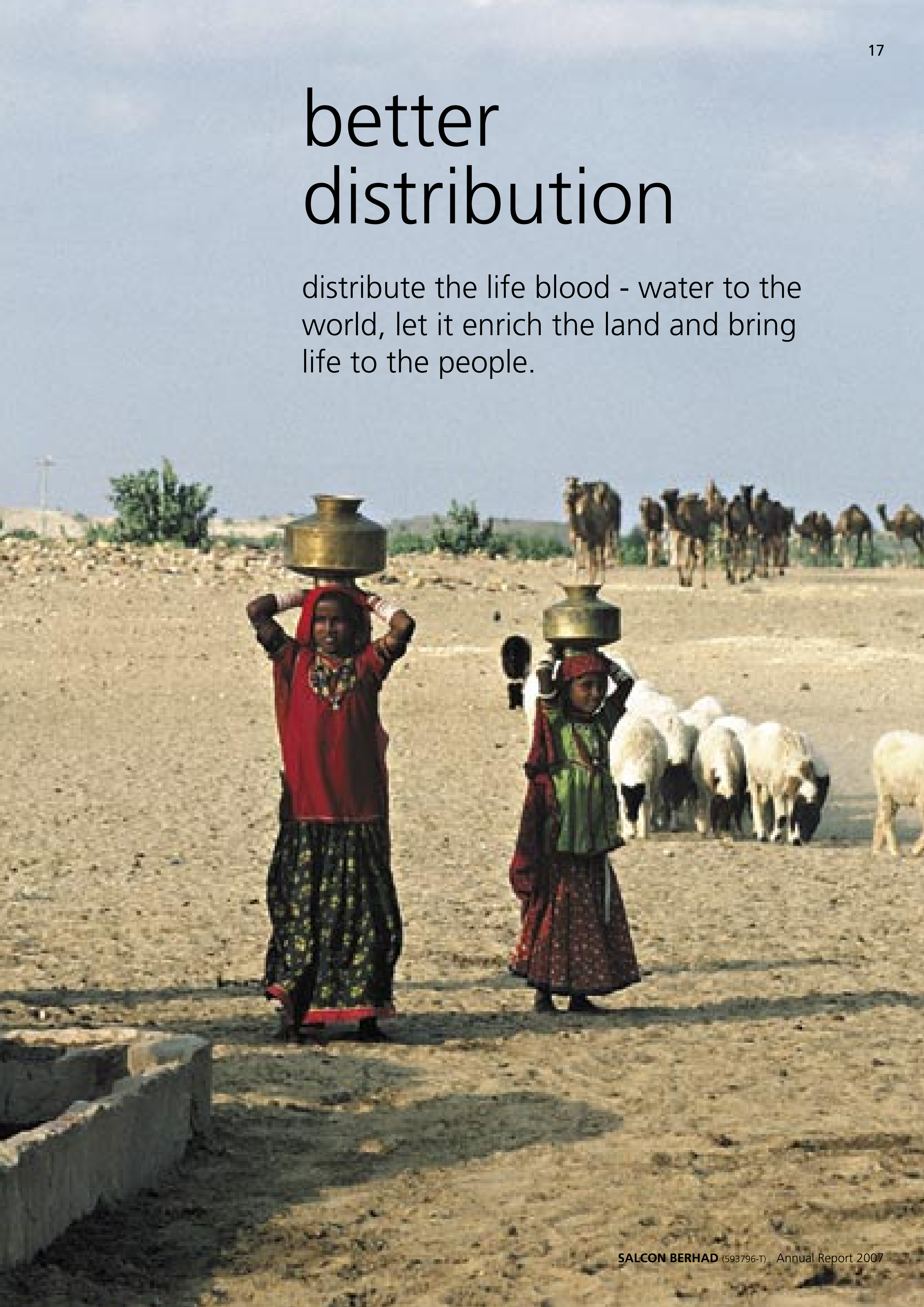
Mr. Ho is the Chairman of the Audit Committee and a member of the Remuneration Committee and Risk Management Committee of the Company.

Notes:-

1. All Directors are Malaysian.
2. There is no family relationship between the Directors and/or major shareholders of the Company except for Dato' Seri Goh Eng Toon, who is a substantial shareholder of the Company by virtue of his interest in Naga Muhibah Sdn Bhd.
3. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
4. None of the Directors has been convicted for offences (other than traffic offences) within the past 10 years.

better distribution

distribute the life blood - water to the world, let it enrich the land and bring life to the people.



chairman's message

On behalf of the Board of Directors, I am pleased to present for the first time as Chairman of Salcon Berhad, the Annual Report and audited financial statements of Salcon Berhad for the financial year ended 31 December 2007.

Opening ceremony of Haining Water Treatment Plant, Zhejiang Province, People's Republic of China

The period under review was indeed a challenging one on the domestic front where there were lower activities due to reduced activities and delays in award of contracts in the construction sector.

However, on the bright side, the Group ended 2007 with a strong order book of about RM840 million, through its efforts to expand in the region and in an improving economy. In addition, the Group also secured a new water concession in Fujian Province, People's Republic of China.

Financial Performance

For FYE December 2007, the Group, (not including the loss on the sale of Cross Continental Investment Mauritius ("CCI")) achieved a profit before tax of RM 1.8 million on a turnover of RM135 million. This represents an increase of 10.9% in turnover compared to the corresponding period the year before. The increase is due to commencement of new projects secured towards the end of the year.

Pumping room at Kuala Jelai Water Treatment Plant, Negeri Sembilan

The Group suffered a loss before and after tax largely due to an exceptional loss of RM6.9 million stemming from the sale of a non core business, CCI as well as an impairment in investments of RM1.0 million. However, these events are non cash items and non-recurring. Excluding these non-recurring losses, the Group is profitable operationally.

The Group continues to focus on strategies to increase revenues through securing new contracts, improving margins through cost reduction exercises and improving balance sheet management. Considerable progress was made during the second half of the year with respect to our strategic initiatives to increase our order book with a total of RM424 million of new contracts secured. As our strategic initiatives continue to gain momentum and barring any unforeseen circumstances, we are confident that the Group will record a stronger financial performance for this coming financial year.

The Group's balance sheet at end December 2007 remains strong with a shareholders fund and net asset per share of RM223 million and 0.53 sen respectively. The Group's cash/cash equivalents at the end of the financial year stood at a healthy RM118 million. Gearing is also maintained at a manageable level of 0.65 times.

Corporate Development

Funding Exercise

The Group strengthened its balance sheet through 2 major fund raising exercises.

A total of RM121 million was raised through a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each with 106,022,701 free detachable warrants on the basis of two

chairman's message

View of Sedimentation Tank at Haining Water Treatment Plant in Zhejiang Province, People's Republic of China

rights shares with one warrant for every two existing ordinary shares of RM0.50 each. The warrants exercise price was fixed at RM0.75. Each warrant entitles the registered holder to subscribe one (1) new ordinary share at any time from 18 May 2007 to 17 May 2014. The warrants were listed on 23 May 2007.

Subsequent to the financial year end, in February 2008, the Group also successfully placed out 42,520,000 new ordinary shares of RM0.50 each representing approximately 10% of the enlarged issued and paid-up share capital of Salcon and in the process raised RM 46.35 million in cash.

The net proceeds of this exercises were utilized for working capital purposes and repayment of loans.

The success of the Rights Issue and private placement demonstrates the confidence of the shareholders in the Company and I would like to thank our shareholders for their support and confidence in the Group.

Acquisitions

On 28 August 2007, the Group announced its proposed acquisition of 74,174,592 ordinary shares of RM1.00 each representing approximately 74,2% of the issued and paid-up share capital of Oriental Capital Assurance Berhad (OCA), a general insurance company, from Maika Holdings Berhad (Maika) for RM1.75 per share or a total cash consideration of RM129,805,536.

Due to a suit filed by a minority shareholder of Maika against Maika Holdings Berhad where an injunction has been granted by the High Court of Malaya to restrain Maika Holdings Berhad from, among others, acting upon its resolution approving the disposal of its shares in OCA, the proposed acquisition is still pending and is dependant on the outcome of the suit. Salcon Berhad is not a party to the proceedings.

Artist impression of Kota Kinabalu Regional Sewage Treatment Plant at Penampang, Kota Kinabalu, Sabah

In terms of water demand, the domestic and industrial water demand in Malaysia is expected to multiply more than 3-fold in 50 years.

Treated Water Pumping Station at Hilir Perak

Disposals

In order to streamline its business activities, the Group disposed its investment in CCI and Palm Tech India Limited, India. This disposal raised RM24 million in cash and allows the Group to invest in building our core businesses.

Industry Outlook

In 2007, the Malaysian economy recorded a real GDP of 6.3% driven by robust domestic demand, strong private consumption spending and investment activities. On the supply side, growth was broad based with strong growth recorded in all economic sectors. The construction sector also recorded a sustained growth at 4.7% in the fourth quarter of 2007 supported by activities in the civil engineering and non-residential sub-sectors.

Nonetheless, rising global crude oil prices has also brought about increases in the cost of raw materials such as steel, cement, concrete etc. Against this backdrop, the Group has taken various measures to cushion the impact of escalating costs via escalation clauses, where possible.

The Water Service Industry Act 2006 and the Suruhanjaya Perkhidmatan Air Negara Act 2006 which came into force in January 2008 and February 2007 respectively has bought positive structural changes In the water and wastewater industry in Malaysia, With these two Acts in place, the National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara SPAN) was established with the aim of improving efficiencies and regulating all water service providers in the industry through the issuance of licenses. This is coupled with the setting-up of the Water Asset Management Company (WAMCO) which will acquire existing water supply assets and develop new water infrastructure like pipelines and treatment plans and lease it to the service providers.

In terms of water demand, the domestic and industrial water demand in Malaysia is expected to multiply more than 3-fold in 50 years. The domestic demand is expected to increase from 5.6 million m3 per day in 2000 to 16.2 million m3 in 2050 and the industrial demand from 3.9 million m3 in 2000 to 15.5 million m3 in 2050. The annual total water demand for Peninsular Malaysia is expected to increase from 29.6 million m3 in 2000 to 48.4 million m3 in 2050. In order to meet this demand, a total of RM8,203.6 million has been allocated to develop water supply facilities under the 9th Malaysia Plan.

Besides this, Non Revenue Water (NRW) reduction has become an increasingly important issue in Malaysia. The current national average NRW level is at 41% of which 25% comprises physical losses due to pipe leakages, while 16% due to commercial losses for which water is used but no revenue collected. The national NRW rate is expected to decrease to 30% in 2010 through strict enforcement

chairman's message


View of Areator at Sungai Terip Water Treatment Plant in Negeri Sembilan

against water theft, pipe and meter replacement, Geographical information System (GIS) mapping of distribution networks, rehabilitation of distribution systems and upgrading of existing water treatment plants as well as setting up operation centres. The Government's long-term target is to bring down NRW level to 20% by the year 2015.

It is obvious that public spending in the water sector is a necessity to ensure public health and to sustain economic growth. As a result, growing demand and more constant prices make the water industry, in general, less exposed to economic cycles.

Given the changing landscape of the water and wastewater industry in Malaysia and an ever increasing demand for drinking water, the Group is constantly on the look-out for opportunities to capitalize on and enhance our presence and position in the market. Based on our established track record, years of experience and technical expertise, the Group is confident of capitalizing on such opportunities as they arise.

Prospects

The Group will continue to implement the projects it had in hand with a residual contractual value of RM590 million from the original portfolio of projects worth RM840 million. The balance of construction works should keep the Group busy for the next 2 to 3 years. Approximately 22% of the current projects involve long term operation and maintenance contracts with duration of five years.

In addition, the Group has signed various Memorandum of Understanding (MOU) with the Provincial Government in West Java and Sumatera, Indonesia, to undertake feasibility studies for the provision of treated water in Indonesia.

The Group has also participated in tenders and submitted proposals for water and wastewater projects/concessions in

Wastewater Treatment Plant upgraded from existing 20 MLD to 40 MLD in Changle County, Shandong Province, People's Republic of China

Vietnam, Cambodia, Indonesia, India and Sri Lanka.

As more and more emphasis is put on environmental conservation and sustainability, the Group sees excellent opportunities in these new markets where we can leverage on our expertise and technological know-how.

We see key potential areas in the development and upgrading of water distribution network, consisting of laying of new pipes of various sizes and replacement of existing asbestos cement pipeline to reduce non-revenue water (NRW).

Against the backdrop of strong Malaysian macro-economic fundamentals and overseas ventures the Board is optimistic that the Group will perform satisfactorily in the financial year ahead and the outlook for the Group for the next few years remains strong.

Corporate Governance

Our Statement of Corporate Governance is set out on pages 40 to 45. There were no sanctions, reprimands and/or penalties imposed on the Company or the Group, Directors or Management by the relevant authorities during the financial year.

Geographical Information System (GIS) for Non Revenue Water reduction works

Board Changes And Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation and gratitude to Tan Sri Razali Ismail, who resigned from the Board on 18 October 2007. I appreciate the trust given to me to assume the position of Chairman, and shall endeavour to serve and add value to the success of the Group.

I would also like to take this opportunity to express my gratitude to all our customers, shareholders, government authorities and agencies, bankers and business partners for their continued trust and confidence in us. Their cooperation, assistance, support and advice are crucial to the successful implementation of our projects.

Last but not least, my heartfelt thanks goes to all the Board members, management and staff for their strong commitment and contribution towards the success of our Group.

better quality

reach out to 1.1 billion people who do not have access to safe drinking water and 2.6 billion people who lack basic sanitation

management review

Raw Water Pumping Station on Cable Stayed Deck Bridge at Sungai Terip Water Treatment Plant, Phase 3

Review of Operations

Engineering & construction, concession investments, facilities operation & maintenance of water and wastewater works and trading services in related industries are the core business activities of the Group and we will continue to develop and grow these areas of expertise.

Engineering & Construction

Malaysian Market

During the period under review, the Group clinched the largest sewerage project in its history, for the design and construction of the Kota Kinabalu Sewage System, valued at RM183 million, which will improve the overall sewerage system in the city of Kota Kinabalu. When completed, the new centralized sewerage system will ultimately provide comprehensive coverage for a major part of Kota Kinabalu area previously served only by localized small treatment plants and septic tanks. The Group is confident of building a world-class wastewater treatment system and associated infrastructure to bring modern sanitation systems to the city of Kota Kinabalu.

Construction works in progress at Hambantota Water Treatment Plant, Sri Lanka

Vacuum sewer suspended below water main at Kampung Patau-Patau Satu, Wilayah Persekutuan Labuan

The Group's strategy of focusing on the development of niche markets such as the management, control and reduction of Non Revenue Water (NRW), has resulted in the award of a 3 year NRW contract in Seremban, valued at RM43 million to provide core NRW team and technical personnel to carry on with the NRW reduction works which include the setting up of district metered zones, active leakage detection, leak repairs, consumer meter replacement, pressure management, GIS, network modeling etc.

The Group also clinched a contract for the construction of the Triang Intake pumping station and associated M&E works valued at RM36 million. Other than this, the Group also won a contract with the Jabatan Bekalan Air Negeri Sembilan (JBANS) to increase pumping and treatment capacity at Sungai Terip Water Treatment Plant as well as piping works to Bukit Mendom Reservoir, valued at RM22 million. Work for the upgrading works is currently in progress and will add 45,000 m3/day treatment

management review


Unloading of pipes at Kg. Mendom for the upgrading of pumping capacity at Sungai Terip Water Treatment Plant

capacity to the existing 280,000 m3/day at Sungai Terip Water Treatment Plant to serve Nilai Town and surrounding areas.

In terms of wastewater projects, the Group secured a total of RM21.5 million worth of wastewater projects via our subsidiary, Envitech Sdn Bhd. The works involve the construction of sewerage treatment plants and in particular, the installation of a vacuum sewer system worth RM4 million in Kg Patau-Patau, Labuan.

Overseas Market

The Group continued to expand and strengthen its networks in other regions, notably in China, Vietnam, Sri Lanka, Indonesia, Cambodia, India and the Middle East.

The growth of our overseas business, leveraging on the Salcon brand name for quality work, enabled the Group to secure projects more than RM110 million from overseas ie Vietnam and Sri Lanka. Funded by multilateral agencies such as Japan Bank for International Co-operation (JBIC) and Asian Development Bank (ADB), these overseas contracts are secured through international competitive bidding basis and reflect the capability of the company to compete on an equal footing with other multinational water companies.

Vietnam is one of Asia's fastest growing economies and has a huge demand for reliable potable water supply and wastewater treatment to ensure consistent growth. The Group is proud to play a part in supporting the country's long term social and economic development and won the tender for the Nhon Trach water supply project to construct and commission a raw and treated water transmission pipelines in Dong Nai Province, Vietnam. The contract is valued at approximately RM70 million funded by JBIC and we can look forward to more projects in Vietnam.

In Sri Lanka, the Group has gone on to win its second project in the country, the Batticaloa Water Supply project where the Group is responsible for all process, mechanical, electrical and instrumentation, valued at approximately 30% of the contract sum of RM124 million. This project is funded by the Asian Development Bank. The group has tendered for a few more projects in Sri Lanka and based on our track records, we believe that we stand

Lamella Clarifier at Lancang Water Treatment Plant, Stage 1, Melaka

a reasonable chance of securing more contracts in this country.

Concession Investments

- Expanding our Concessions Portfolio

During the year, the Group continued to grow its long term concession investments which are an integral part of our business strategy to balance our income portfolio to increase our long term recurring revenue stream. Currently, concession investments generate over 26% of gross revenues.

Our international portfolio comprises medium to large water and wastewater concessions in large consumer based markets such as Vietnam and China. To date we own and operate 5 water and 1 wastewater concessions in targeted areas with high demand growth potential:-

- Binh An Water Supply Scheme, Ho Chi Minh city, Vietnam – 20-year concession
- Changle Water Supply, Shandong Province – 50-year concession
- Changle Wastewater Treatment Plant, Shandong Province – 30-year concession
- Chenggong Water Supply, Yunnan Province – 30-year concession
- Linyi Water Supply, Shandong Province – 30-year concession
- Haining Water Supply, Zhejiang Province – 30-year concession

Repair and Maintenance works

The Group's latest and largest investment to date is a 30-year concession for the investment, construction, operation, management and maintenance of a 48 km raw water pipeline to supply 345,000 m3/day of raw water to the Nan An Coastal 3-Towns. The raw water pipelines will be constructed on Build-Operate-Transfer basis in 2 phases of 175,000 m3/day and 170,000 m3/day respectively.

In total, the Group now owns 7 water and wastewater concessions in Vietnam and China with a design capacity of approximately 875,000 m3/day.

As one of the pioneers in the water and wastewater industry with the capacity to offer funding, technology and expertise, the Group is in an advantageous position to capture the market's enormous potential. We have the breadth of expertise and experience to design, build, own, operate and maintain infrastructure facilities and systems, as well as provide financing.

Asia, in particular, China will continue to remain, a very important growth market for Salcon in the years ahead.

Facilities Operations & Maintenance

The Group provides long-term integrated management services and solutions for water and wastewater treatment plants. These include operations & maintenance services for water treatment, storage, pumping and distribution facilities including plant start-up and commissioning,

management review

Laying of 45.8 km raw water and treated water pipelines for Nhon Trach water supply project in Dong Nai Province, Vietnam

technical training, operations support, plant engineering and asset lifecycle management.

The Group's existing portfolio include Operation & Maintenance of water treatment facilities in Negeri Sembilan for the Sungai Terip Water Treatment Plant, Kuala Jelai Water Treatment Plant, Kepis Water Treatment Plant as well as monitoring of the Sungai Terip Dam. Supplying a total of 360,000 m3/day of potable water daily to Seremban, Senawang, Nilai, Mantin, Bahau, Kuala Pilah, Rompin and Tampin, the O&M contracts provide a long term recurrent income stream to the Group.

Work for the upgrading works for Sungai Terip Water Treatment Plant is currently in progress and will add 45,000 m3/day capacity to the existing 280,000m3/day at Sungai Terip Water Treatment Plant to serve Nilai Town.

Others

The Group is still involved in the business of design, fabrication and installation of palm oil mills and had during the year under review, secured a palm oil mill project in the State of Terengganu worth approximately RM14 million.

The Group, under its wholly owned subsidiary, Salcon-Centrimax Sdn Bhd, is involved in the trading of related water and wastewater pumping equipment, supply and installation of turbines to palm oil mills and will continue to do so to service existing clients.

Outlook for FYE 2008

With the record high value of projects in hand totaling RM840 million, the Group expects FYE 2008 to be a turnaround year, recording strong financial performance.

As the Group expands and undertakes bigger and more challenging projects both locally and overseas, the top management team will also ensure that all management and control processes are in place to ensure checks and balances within the system and that all associated risks are identified, evaluated and managed at the appropriate

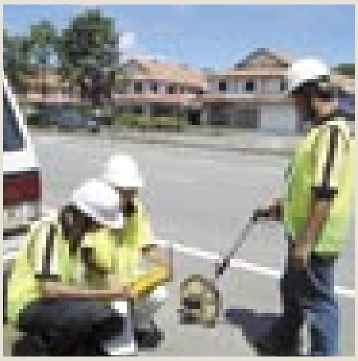
Excavation work at Jalan Pintas to lay pipelines for the Kota Kinabalu Sewage project

level within the organisation.

In the year ahead, our focus will remain on implementing the projects in hand efficiently, on time and within budget whilst also replenishing our order books with new projects and viable investments.

In a competitive environment where there is a scarcity of skills, the management of human capital has become a critical factor in maintaining our competitive advantage. In the recent year, we have strengthened our executive and operational leadership and intensified our focus on recruitment to enlarge and strengthen the Group's human capital in project planning, management and execution skills.

Also, in tandem with the advancement in water and wastewater treatment technologies and the scarcity of water resources, the Group has placed great emphasis on the innovation and design of new water and wastewater treatment technologies, water conservation and protection of water sources as well as pollution control measures in protecting the environment. It is the Group's intention to be in the forefront of water and wastewater technologies in the various treatment processes.



Leak detection works at Seremban Non-Revenue Water project site

Engineering & Construction

The Group will continue to focus on the speedy implementation of water and wastewater projects in hand and to manage these construction projects efficiently whilst securing new engineering and construction projects locally and overseas.

Facilities Operation and Maintenance & NRW Programme

The Group will also focus on securing more O&M and NRW projects. We have the relevant experience and expertise to handle projects of this nature well to bring about synergistic benefits to the Group.

Others

The Group will continue the existing trading business and palm oil mill construction and also to explore and expand other new businesses which include medical and solid waste treatment, renewable and green energy business, which are very much related to our existing core businesses.

Overseas Expansion

The Group is in the process of setting up Representative Offices in Indonesia, Vietnam and India. Numerous proposals on water and wastewater works have been submitted to the various local government and authorities in these countries for consideration. Negotiations of the projects are on going and we are optimistic to secure a few projects in these coming years.

With a strong management team, robust order book and established track record, we foresee solid growth in the years ahead.

"SAVE WATER, SAVE THE ENVIRONMENT"

corporate social responsibility

ensure sustainable water supply development, to preserve and conserve this precious resource for our future generations

corporate social responsibility

Achieved ISO 14001 : 2004 and ISO 9001 : 2000

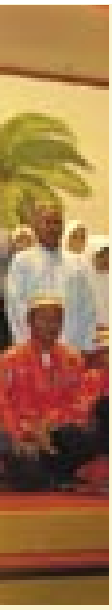
Visit by analysts and fund managers to Sungai Terip Water Treatment Plant

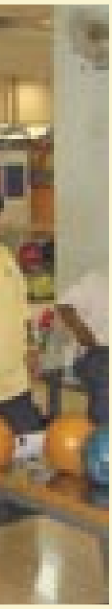
Buka Puasa gathering with 3 orphanages in Seremban, Negeri Sembilan

Stringent safety standards are practised to ensure a safe working environment

Bringing good cheer to the Good Samaritan Home in Klang

Salcon Bowling Competition





Salcon Berhad, with our core business in providing sustainable supply of quality water and sanitation services is committed to plan and operate all our businesses in a socially responsible manner, complemented by socially responsible investments and thereby, contribute to the healthy growth and development of communities, not only in Malaysia but also overseas.

The Group firmly believes and recognizes that the creation of economic wealth whilst conducting our business in a socially and environmentally sustainable manner enhances our competitiveness to achieve our vision of becoming a world leader in water and sanitation services.

Through the incorporation of Corporate Social Responsible (CSR) goals in our business strategies, better organization performance and business efficiency can be achieved in terms of minimizing risk, maximizing opportunity, reducing costs, enhancing workforce productivity, retaining skilled employees, attracting prospective investors and improving customers satisfaction.

This report provides an overview of the Group's initiatives in CSR practices during the fiscal year 2007 and which are demonstrably in accordance with the CSR Global Reporting Initiative (GRI) approach to provide a holistic reporting overview. We will look at four specific areas including the marketplace, the workplace, the environment, and the community that constantly challenge the Group's daily business performance.

1.0 The Marketplace

Investors

The Group emphasizes on strengthening investor relations through regular meetings and communications with existing and potential investors to provide updates on business strategies, as well as to respond to investors' questions and clarify doubts to increase investors' confidence in Salcon. In addition, site visits to Salcon's plant operations are also conducted from time to time to deepen their understanding of the Group's business operations.

Furthermore, investors are encouraged to access the Group's corporate website for the latest developments and information

Customers

The Group draws on 'Customer Satisfaction' as the ultimate measure of success in each of the projects implemented by Salcon. In accord with our CSR goals, the Group serves our clients the best that we can by providing quality service, professional and technical competence and environmentally friendly practices.

The Group's Business Development professionals are well trained in handling our corporate clients in areas of providing relevant and timely information on our business and services. Experienced technical personnel in the Engineering Division formulate technical proposals tailor made to suit the requirements of potential clients. Besides this, the Group has teams of highly qualified and trained technical specialists responsible for the various facets of project development and construction management.

The Group's projects are conducted and managed according to Quality Management Standard ISO 9001: 2000 and Environmental Management Standard ISO 14001:2000 whilst strictly adhering to local rules and regulations. Additionally, the Group's Safety, Health and Environmental personnel conduct regular OSHAS training programmes to staff and workers, both off and on sites, to ensure they are aware of and comply with the various safety rules and regulations.

Throughout the project, frequent meetings and discussions are held with our clients whilst the Group's Quality Assurance personnel conduct regular site inspections. This is to ascertain that we are working toward project goals to deliver quality products and services by meeting customer's requirements and project quality specification. At the end of each project, feedback from our clients are compiled through the "Client Satisfaction Survey Form" which is used for project review and continuous improvement.

Suppliers

Suppliers are part of the Group's business partners who contribute a significant role in supporting our CSR initiatives. Having a group of competitive business partners is crucial in helping us to manage our businesses efficiently by delivering quality services to our clients, at competitive costs, quality and time. In terms of choosing our business partners, the Group embraces the values of transparency, diversity and ethical business practices.

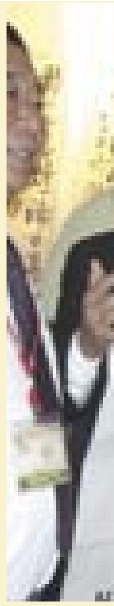
The Group's supplier selection procedures strictly adhere to Quality Management Standards ie ISO 9001:2000 and the Environment Management Standards ie ISO 140001: 2000. Potential business partners are evaluated based on relevant criteria stated in the Pre-Qualification Score Sheet, as well as conducting site visits, if necessary.

Qualified suppliers are given equal opportunity to participate in related tendering and suppliers are awarded based on three primary factors:

1) competitive pricing
2) quality services and products
3) timely delivery

Even so, we continually keep tight control on goods received to ensure suppliers meet required specification. We conduct supplier performance evaluation on a yearly basis to identify areas for improvement. It is essential for the Group to maintain good communication and working relationship with our suppliers in order to strengthen mutual confidence and future collaboration.

corporate social responsibility



Corporate Governance

Indeed, CSR practices stimulate and challenge Salcon to achieve ever higher standard of business responsibility through an effective corporate governance system. The Group has in place, internal corporate audit personnel to actively keep check on the operations of all business units to ensure that efficient internal controls are in place. These include ensuring that information and risk management procedures are appropriate to the scale and complexity of the project and business procedures are in compliance with required standards. All results of the audit reports are brought to the relevant unit heads as well as other responsible managers and directors for reviewing and to discuss approaches for improvement. It is essential for the Group to continually foster an open and transparent corporate culture to enhance investor value and gain their trust.

2.0 The Workplace

The Group has created more than 100 employment opportunities in year 2007. Presently, we have around 1000 employees across Malaysia as well as other parts of the world, namely in China, Vietnam, Sri Lanka and India. The ratio of female to male employees are 39: 61 who come from diverse backgrounds in terms of ethnicity, religion and age groups, working in our offices and project sites.

We believe that employees are the Group's key assets who create value through their committed and professional services. In turn, we are committed to create a workplace where our employees can achieve their ambitions and obtain job satisfaction in their related profession.

The Group's human resource strategies include diversity in workforce, training and career development, performance appraisal and rewards, provision of a healthy and safe work environment, medical and health care benefit, recreation clubs as well as fostering an open communication in employee-management relations. Quarterly management dialogues and the quarterly publication of Spotlight, the Group's internal newletter are initiatives to promote employee communications and provide opportunities for employee involvement in the business direction of the Group.

Three quarters of our employees were sent for various types of training during year 2007. Our employee training program can be categorized into three specific purposes:

a) certification requirement
b) professional skills development
c) management knowledge enhancement

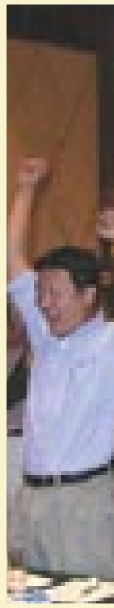
Human Resource personnel also provide briefings to new employees to ensure that they understand the Group's business vision, mission, operations structure and code of conduct. Additionally employees also have full access to the Group's corporate Intranet for detailed information on all relevant policies and procedures.

3.0 The Environment

The Group is committed to strengthen environmental practices in our business operations. The Quality Assurance and Health, Safety and Environment (QA/SHE) Divisions are formed to ensure the implementation and maintenance of Environmental Management Standard ISO 14001: 2000 systems in our offices and at the project sites in pursuit of sustainable development. Salcon's environmental management policy is strategized in line with the objectives to better conserve resources, protect the environment, reduce pollution and hazards, and manage material wastes appropriately.

Salcon's employees are obliged to comply with the proper procedures of disposing used papers, oil and electrical products such as batteries and computer hardware. Reduction of electricity consumption is also emphasized.

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.



4.0 The Community

Salcon strived towards actively promoting activities that contribute to the well-being of communities.

Giving to the underpriviledged

In collaboration with Jabatan Bekalan Air Negeri Sembilan (JBANS), the Group hosted 150 children from three orphanages in Seremban to celebrate Buka Puasa in Allson Klana Resort. In addition, we also donated essential items and goods to these orphanages.

During the Lunar New Year, the Salcon Recreational Club also organized a visit the Good Samarian Home in Klang to bring good cheer to the children. Besides donating toys, diapers and other items, the Groups also donated cash to assist in the running of the home.

Promoting Healthy Living

With the objective to support a healthy lifestyle, the Group sponsored the 4-day Salcon Negri Masters Golf Tournament at Seremban International Golf Club (SIGC) during the period of 9/8/07 to 12/8/07. The Group has further committed to support the activity in the next two consecutive years.

Promoting Culture

The Group with the objective to promote awareness and appreciation of Chinese art and calligraphy in Malaysia, sponsored the Linyi Calligraphy exhibition in conjunction with the World Chinese Book Fair 2007 at the Mines Exhibition Convention Centre during the period of 16/11/07 to 25/11/07.

Sponsering the Linyi Calligraphy Exhibition in conjunction with the World Chinese Book Fair 2007

Title sponsor for the Salcon Negeri Masters Golf Tournament 2007

Salcon Recreational Club (SRC) Sports Tournament 2007

Management Dialogue

In-house publication of newsletter to promote internal communication amongst staff

Sungai Terip Water Treatment Plant Open Day in conjunction with World Water Day

calendar of events

Salcon Berhad Extraordinary General Meeting (EGM)

30 March 2007

An EGM to approve resolutions for the proposed rights issue with warrants was successfully held at Sunway Resort & Spa Hotel.

Salcon Annual Dinner 2007

28 April 2007

Staff from the Salcon Group came together to celebrate the Salcon Annual Dinner 2007 held at the Sunway Hotel Resort & Spa.

Salcon Berhad 4th Annual General Meeting

26 June 2007

The 4th Annual General Meeting was successfully held at the Sunway Resort Hotel & Spa.

Bowling Competition

30 June 2007

The year 2007 bowling competition received the most number of players, with 68 participants from Salcon group of companies.

Salcon's Annual Trip – Pulau Redang, Terengganu

14 July 2007 to 16 July 2007

The 2007 travel destination for the staff annual trip was a diver's heaven at the beautiful island of Pulau Redang in Terengganu.

Haining-Malaysia Investment Promotion Syposium

26 July 2007

Salcon organized the 2007 Haining-Malaysia Investment Promotion Syposium held at the Sunway Hotel Spa and Resort. During the event, Salcon signed a Memorandum of Understanding (MOU) with Haining Water Investment Group Co Ltd to conduct a feasibility study for the Yan Cang Wastewater Treatment Plant Project Phase III project in Haining City, Zhejiang Province, China.

MOU Signing Ceremony – Salcon and Bekasi Regency, Indonesia

20 July 2007

Salcon was honored to welcome Bapak Bupati Sa'adudin from Bekasi regency and delegates for the signing of Memorandum of Understanding between Salcon and Perusahaan Daerah Air Minum Bekasi (PDAM) .

Kota Semarang Water Supply Scheme

10 August 2007

In conjunction with Semarang Persona 2007, an MoU was signed with the Walikota of Semarang to signify the establishment of partnership between Salcon Engineering Berhad and City of Semarang.

JAS Sandakan Service Centre Opening Ceremony

3 November 2007

The Sandakan service centre opening ceremony was successfully held in Sandakan, Sabah. The opening ceremony was officiated by the Deputy Minister of Infrastructure & Development Sabah, YB Dato' Aklee Abbas.

Haining , China Water Treatment Plant Opening Ceremony

11 November 2007

A grand Opening Ceremony for the completion of 1st phase of Haining Water Treatment Plant was successfully held in Haining City, Zhejiang Province, People's Republic of China.

Salcon Family Day 2007

17 November 2007 to 18 November 2007

The year 2007 family day was held at Sunshine Bay Resort, Port Dickson, Negeri Sembilan.

Ground breaking ceremony for Nhon Trach Water Supply

15 December 2007

A grand groundbreaking ceremony for the Nhon Trach water supply project was held in Dong Nai, Vietnam, amidst the loud drum beats of a Lion Dance and beautiful usherers clad in the traditional Vietnamese Au Dai.

statement of corporate governance

The Board of Directors of Salcon Berhad (Salcon) continues to uphold its commitment to the highest standard of corporate governance in managing the affairs of the Company and Group. This statement describes how the Company 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 2007.

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. The number of independent directors is in compliance with the Listing Requirements of 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 15 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 to ensure that all necessary financial and other resources are made available to enable those objectives to be achieved. 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 Managment 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 practice for the director concerned to declare his interest and abstain from the decision-making process.

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 12 month financial period ended 31 December 2007, the number of Board meetings held and the attendance of the Directors are listed below:

Directors	No. Of meetings attended
Dato' Seri Goh Eng Toon	6/6
Jaggit Singh a/l Tara Singh	4/6
Dato' Dr Freezailah Bin Che Yeom	5/6
Dato' Seri Megat Najmuddin Bin Datuk Seri Dr Haji Megat Khas	5/6
Ho Tet Shin	6/6
Tan Sri Razali Ismail (resigned on 18.10.2007)	4/5

All Directors are provided with the opportunity, and are encouraged, to attend training to keep themselves 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. Audit Committee Role & The Internal Audit Function
2. Application of Business Ethics & Corporate Governance in Business

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

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.

Board Committees

The Board has delegated specific responsibilities to six (6) 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) Nomination Committee

The membership of the Committee has not changed since the last report. The Board considers that the membership of the Committee is in compliance with the Code's recommendation. The Committee meets once a year to, among others, recommends candidates with an optimal mix of qualifications, skills and experience to the Board. The Committee also carries out annual 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.

The members of the Committee are as follows:

Dato' Seri Goh Eng Toon
Dato' Dr Freezailah Bin Che Yeom

b) Remuneration Committee

Save for the inclusion of two (2) Non-Executive Directors, there are no significant changes made to the Committee since the last report. The Board considers that the membership of the Committee is in compliance with the Code's recommendation. The Committee meets once a year to deliberate on the remuneration framework and make recommendations to the Board on structuring Director's remuneration packages. The Executive Directors do not participate in decisions relating to their remuneration. The Board as a whole determines the remuneration of Non-Executive Directors with the Director concerned abstaining from participating in decisions in respect of his individual remuneration.

The members are as follows:

Dato' Seri Goh Eng Toon
Dato' Dr Freezailah Bin Che Yeom
Mr. Ho Tet Shin

c) Audit Committee

The membership of the Committee has not changed since the last report. The Board considers that the membership of the Committee is in compliance with the Listing Requirements of BMSB and the Code's recommendation. The primary objective of the Committee is to assist the Board in fulfilling its responsibilities relating to the accounting and reporting practices of the Group. The terms of reference as well as the members of the Audit Committee are set out in Pages 46 to 48 of the Annual Report.

statement of corporate governance

d) Risk Management Committee

The Risk Management Committee is to oversee the implementation of risk management in the Group. The Committee reports directly to the Board and assists the Board in overseeing the management of risk factors. In addition, it also reviews the efficacy of internal controls within the Company.

The members are as follows:

Mr. How See Hock
Mr. Jaggit Singh a/l Tara Singh
Mr. Ho Tet Shin

e) ESOS Committee

The ESOS Committee is responsible for administering the Employees' Share Option Scheme (ESOS) in accordance with By-Laws.

The members are as follows:

Mr. How See Hock
Mr. Jaggit Singh a/l Tara Singh

f) Executive Committee

The Executive Committee is responsible for implementing the decisions and policies approved by the Board.

The members are as follows:

Dato' Seri Goh Eng Toon
Mr. How See Hock
Mr. Jaggit Singh a/l Tara Singh

Re-election

All Directors will retire at regular intervals by rotation once at least every three years and they shall be eligible for re-election.

PRINCIPLE B - DIRECTORS' REMUNERATION

Details of the remuneration of Directors of the Company for the 12 month financial period ended 31 December 2007 are as follows:

1. 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	323,568	25,200			11,200	41,904		401,872
Non-Executive Directors			154,800	22,500				177,300

2. Aggregate remuneration of each Director:

Executive Directors	**RM'000**
Jaggit Singh a/l Tara Singh	402
Non-Executive Directors	
Dato' Seri Goh Eng Toon	36
Dato' Dr Freezailah Bin Che Yeom	30
Dato' Seri Megat Najmuddin Bin Datuk Hj Megat Khas	30
Ho Tet Shin	30
Tan Sri Razali Ismail (resigned on 18.10.2007)	51

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 convening of Annual General Meetings (AGM) and Extraordinary General Meetings is viewed as an ideal forum to communicate with private and institutional investors alike. 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. Henceforth, the Chairman and Board will take measures to encourage shareholders to attend and participate in an open discussion during the AGM. The Directors are available for questions, formally during the AGM and informally afterwards. 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.

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.

statement of corporate governance

Internal Control

The Statement on Internal Control furnished on Pages 49 to 50 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's auditors, both internal and external.

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

Utilisation of Proceeds

The status of the utilisation of the proceeds as at 20 February 2008 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
To finance the proposed acquisition of 74.165% of the share capital of Oriental Capital Assurance Berhad	35,000	(12,981)	22,019
General working capital for the Group	44,978	(2,348)	42,630
Repayment of bank borrowings	19,000	(19,000)	-
Estimated expenses relating to the Rights Issue with Warrants	1,888	(1,906)	(18)
	120,866	(52,366)	68,500

Material Contracts

There were no material contracts entered into by the Company or it's subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2007.

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 2007.

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

VARIATION IN RESULTS FOR THE FINANCIAL YEAR

The audited financial statements for the financial year ended 31 December 2007, contained in this Annual Report does not deviate by more than 10% from the unaudited results of the Group announced on 27 February 2008.

Share buybacks

The Company did not enter into any share buyback transactions during the financial period ended 31 December 2007.

Options, Warrants or Convertible Securities

A total of 1,110,000 warants were exercised during the financial period ended 31 December 2007.

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

The Company did not sponsor any ADR or GDR programmes during the financial period ended 31 December 2007.

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 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.

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 Group and the Company and is pleased to announce that in preparing the financial statements for the 12 month financial period ended 31 December 2007, 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.

report of audit committee

The Board Audit Committee of Salcon Berhad is pleased to present the Audit Committee Report for the year ending 31 December 2007.

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
Dato' Seri Megat Najmuddin Bin Datuk Seri Dr Hj Megat Khas	Independent Non-Executive Director

MEETINGS

During the 12 months financial period ended 31 December 2007, five (5) meetings were convened, with details on the attendance of the members listed below:

Directors	No. of meetings attended
Ho Tet Shin (Chairman)	5/5
Dato' Dr Freezailah Bin Che Yeom	4/5
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 presented in the meetings to assist in the deliberations, where necessary.

The meetings were appropriately structured through the use of agendas, 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 2007 include, inter alia, the following:

- Reviewed the External Auditors' scope of work and audit plans for the year, prior to the commencement of their annual audit.
- Reviewed with the External Auditors, the results of the audit and major issues arising from the audit.
- Consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors as disclosed in Note 20 to the financial statements.
- Reviewed the Statement on Internal Control and Statement of Corporate Governance and its recommendation to the Board for inclusion in the Annual Report.
- Reviewed the Internal Audit Department's resource requirements, programs and plans for the financial year under review.
- 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.
- 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 Bursa Malaysia, MASB and other relevant legal and regulatory requirements.
- 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 application of corporate governance principles and the extent of the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement of Internal Control pursuant to Bursa Malaysia Securities Berhad's Listing Requirements.

- Reviewed related party transactions entered into by the Group to ascertain that transactions are conducted at arm's length prior to submission to the Board.

Internal Audit Function

The Internal Audit 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 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;

report of audit committee

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.
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 Audit Committee to the Board.

statement on internal control

STATEMENT OF INTERNAL CONTROL

The Malaysian Code on Corporate Governance stipulates that listed companies should maintain a sound system of internal control to safeguard shareholder's investments and the Group's assets. The listing requirements of Bursa Malaysia Securities Berhad, Paragraph 15.27(b) requires the Board of Directors of listed Companies to include an Internal Control Statement in their Annual Reports about the state of internal control in their Companies. With that, and on behalf of the Board of Directors, we are pleased to report to the shareholders the state of internal control that affected the Group during the period under review.

BOARD RESPONSIBILITIES

The Board affirms the overall responsibility for maintaining a sound system of internal control over both the financial and non-financial aspects of the Group's activities and to review its adequacy and integrity so as to safeguard shareholder's investments and the Group assets. The systems of internal controls are designed to ensure that the risks facing the Group's businesses in pursuit of its objectives are identified and managed at known and acceptable levels.

Due to the inherent limitations in any system of internal control, 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, the system 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 companies, during the 12 month financial period ended 31 December 2007 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. The overall process is facilitated by the Audit & Systems Improvement 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 system of internal control 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 findings to the Board on a quarterly basis or as appropriate.

statement on internal control

OTHER RISKS AND CONTROL PROCESSES

Salcon Engineering Berhad continues to be certified under the ISO9001 : 2000 and ISO14001 : 2004 quality and environmental management systems at the corporate office and at the project levels. These systems and their associate processes are consistently 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 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 to continually improve the effectiveness of the Safety, Health and Management System (SHMS) adopted by the Group.

The Board has also put in place an organisational 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.

These procedures are relevant to the Group and provide continuous assurance to the top management and the Board. The process is faciliated by internal audit, which provides a certain level of assurance on the operations and validity of the system of internal control.

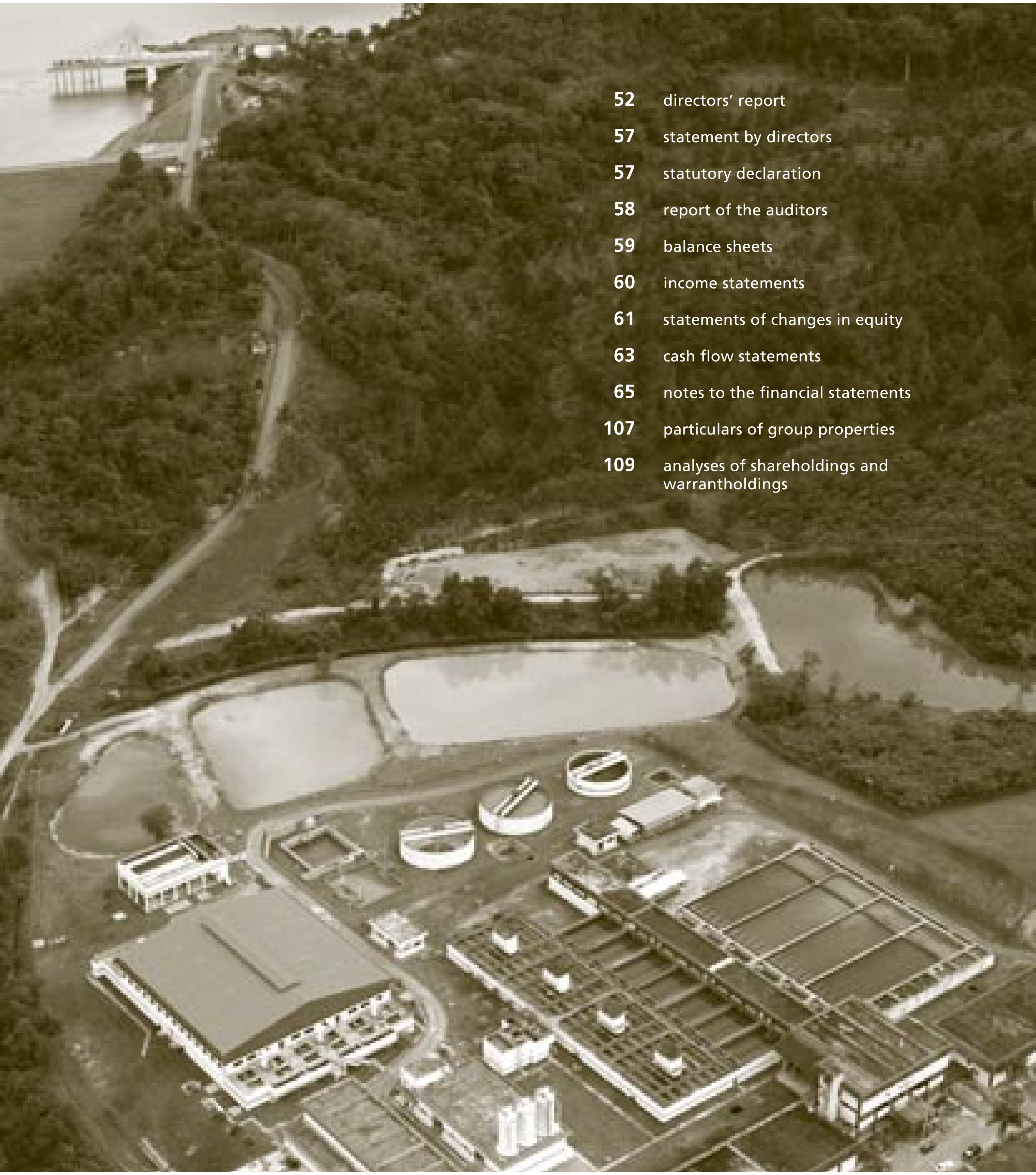
Quarterly updates of the financial results of the Group are reported to the Audit Committee and the Board. Regular management meetings, which involve the Chief Executive Officer and selected personnel, are held to promptly identify and address any issues encountered by the Group. Management, through 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.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the period under review, the Internal Audit Department has performed review on all major subsidiaries in Malaysia and three out of the four main subsidiaries in China. The Board confirms that the system of internal control is being properly implemented throughout the Group and continuous reviews are being carried out to ensure its adequacy and effectiveness. There were no major internal control weaknesses detected which have a material impact on the Group's financial performance or operations.

Procedural and preventive control measures have and will continue to be enforced to strenghten the Groups internal control processes.

financial statements



Aerial view of Water Treatment Plant at Sungai Terip Negeri Sembilan

directors' report

for the year ended 31 December 2007

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2007.

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
Loss attributable to:		
Shareholders of the Company	7,841	6,544
Minority interest	(1,367)	-
	6,474	6,544

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

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

Dato' Seri Goh Eng Toon
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
Tan Sri Razali Ismail (resigned on 18.10.2007)

directors' report

Directors' interests

The interests and deemed interests in the ordinary shares, options and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 31 December 2007 (including the interests of the spouses and children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 1.1.2007	Acquired	Disposed	At 31.12.2007
The Company				
Direct Interest				
Dato' Dr Freezailah bin Che Yeom	25,000	25,400	-	50,400
Jaggit Singh a/l Tara Singh	1,845,000	1,745,000	(100,000)	3,490,000
Deemed interest				
Dato' Seri Goh Eng Toon	33,300,000	33,409,600	-	66,709,600
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	45,000	-	(45,000)	-
Ho Tet Shin	-	21,400*	-	21,400
Integrated Water Services (M) Sdn. Bhd. (Subsidiary)				
Deemed interest				
Jaggit Singh a/l Tara Singh	2,800	-	-	2,800

		Number of options over ordinary shares of RM0.50 each				
	Option Price (RM)	At 1.1.2007	Granted	Addition	Exercised	At 31.12.2007
The Company						
Jaggit Singh a/l Tara Singh	1.28#	600,000	-	240,000#	-	840,000

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

	Number of Warrants 2007/2014			
	At 1.1.2007	Acquired	Exercised/ Disposed	At 31.12.2007
The Company				
Direct interest				
Dato' Dr Freezailah bin Che Yeom	-	12,700	-	12,700
Jaggit Singh a/l Tara Singh	-	872,500	(300,000)	572,500
Deemed interest				
Dato' Seri Goh Eng Toon	-	16,704,800	-	16,704,800
Ho Tet Shin	-	10,700*	-	10,700

* *Disclosure made pursuant to Section 134(12)(c) of the Companies (Amendment) Act, 2007.*

The option price and number of options had been adjusted following a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants.

directors' report

Directors' interests *(continued)*

By virtue of his interests in the ordinary shares and warrants of the Company, Dato' Seri Goh Eng Toon is deemed to have an interest in the subsidiaries during the financial year to the extent that Salcon Berhad has an interest.

None of the other Directors holding office at 31 December 2007 had any interest in the ordinary shares, options 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 issue of the Employees' Share Option Scheme and Warrants 2007/2014.

Issue of shares

During the financial year, the issued and paid-up share capital of the Company was increased from RM106,022,701 to RM212,600,402 by:-

(a) the issuance of a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants at an issue price of RM0.57 per new ordinary share; and

(b) the issuance of 1,110,000 new ordinary shares of RM0.50 each arising from the exercise of Warrants 2007/2014 at the subscription price of RM0.75 per share.

There were no other changes in the authorised, issued and paid up capital of the Company 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.

Options granted over unissued shares

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

An Employees' Share Option Scheme ("ESOS") was implemented on 31 October 2003 for the benefit of the eligible employees (including Executive Directors) of the Salcon Berhad Group and was approved by the shareholders at an Extraordinary General Meeting held on 22 July 2003.

directors' report

Options granted over unissued shares *(continued)*

The exercise price and number of options over unissued shares of the Company had been adjusted on 14 May 2007 pursuant to Bye-Law 14 of the ESOS Bye-Laws following the Rights Issue.

The options over unissued shares of the Company granted under the ESOS during the financial year are as follows:

		Number of options over ordinary shares of RM0.50 each					
Date of Offer	**Exercise Price**	**At 1.1.2007**	**Granted**	**Addition**	**Exercised**	**Lapsed**	**At 31.12.2007**
7.1.2004	RM1.28#	2,507,500	-	987,400#	-	(207,700)	3,287,200

The option price and number of options had been adjusted following a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants.

The salient features of the ESOS scheme are as follows:

(i) The maximum number of ordinary shares to be offered shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the ESOS.

(ii) 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.

(iii) The options granted may be exercised in full or lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.

(iv) The option price for ordinary shares of RM0.50 each shall be a discount of not more than 10% from the five day weighted average market price of the shares immediately preceding the offer date of the option or at the par value, whichever is higher.

(v) The scheme shall be in force for duration of five years to 30 October 2008 and it can be extended to another five years at the discretion of the Directors and the option committee.

(vi) As at the date of offer, employees must not participate or have not been offered option(s) under any other ESOS implemented by any other member of the Salcon Group, which is in force for the time being.

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.

directors' report

Other statutory information *(continued)*

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

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

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

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

In the opinion of the Directors, except for the loss on disposal of associated companies and bad debts written off as disclosed in Note 20, the results of the operations of the Group and of the Company for the financial year ended 31 December 2007 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 30 to the financial statements.

Significant subsequent events

The significant subsequent events are as disclosed in Note 31 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

Jaggit Singh a/l Tara Singh

Subang Jaya,

Date: 8 April 2008

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 59 to 106 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2007 and of the results of their operations and cash flows for the year ended on that date.

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

Dato' Seri Goh Eng Toon

Jaggit Singh a/l Tara Singh

Subang Jaya,

Date: 8 April 2008

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 59 to 106 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 Subang Jaya on 8 April 2008.

Law Woo Hock

Before me:
Choy Yee Cheong (P.P.N)
(No.B083)
(Commissioner for Oaths)
Subang Jaya, Selangor.

report of the auditors

to the members of Salcon Berhad (Company No. 593796-T) (Incorporated in Malaysia)

We have audited the financial statements set out on pages 59 to 106. The preparation of the financial statements is the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of:

   i) the state of affairs of the Group and of the Company at 31 December 2007 and the results of their operations and cash flows for the year ended on that date; and

   ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiaries in respect of which we have not acted as auditors are identified in Note 7 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Partner
Approval Number: 2613/12/08(J)

Kuala Lumpur,

Date: 8 April 2008

balance sheets

at 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Assets					
Property, plant and equipment	3	181,057	120,492	-	-
Intangible assets	4	10,969	11,239	-	-
Prepaid lease payments	5	32,328	15,950	-	-
Investment property	6	2,068	2,318	-	-
Investments in subsidiaries	7	-	-	70,675	70,675
Investments in associates	8	35,148	55,440	-	-
Other investments	10	3,586	11,079	3,500	4,500
Deferred tax assets	11	6,159	6,421	-	-
Total non-current assets		271,315	222,939	74,175	75,175
Receivables, deposits and prepayments	12	108,770	87,208	97,514	69,011
Inventories	13	1,650	1,457	-	-
Current tax assets		879	2,089	-	21
Cash and cash equivalents	14	117,832	22,196	68,869	6
Total current assets		229,131	112,950	166,383	69,038
Total assets		500,446	335,889	240,558	144,213
Equity					
Share capital		212,600	106,023	212,600	106,023
Reserves		30,917	19,005	32,208	19,011
Accumulated losses		(20,122)	(12,281)	(59,964)	(53,420)
Total equity attributable to shareholders of the Company	15	223,395	112,747	184,844	71,614
Minority interest		38,142	37,735	-	-
Total equity		261,537	150,482	184,844	71,614
Liabilities					
Loans and borrowings	16	124,189	79,625	45,000	55,000
Total non-current liabilities		124,189	79,625	45,000	55,000
Payables and accruals	18	91,955	78,311	482	599
Loans and borrowings	16	21,764	26,806	10,000	17,000
Current tax liabilities		592	461	232	-
Dividend payable		409	204	-	-
Total current liabilities		114,720	105,782	10,714	17,599
Total liabilities		238,909	185,407	55,714	72,599
Total equity and liabilities		500,446	335,889	240,558	144,213

The notes on pages 65 to 106 are an integral part of these financial statements.

income statements
for the year ended 31 December 2007

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Revenue	19	134,600	121,290	627	719
Cost of sales		(98,203)	(92,294)	-	-
Gross profit		36,397	28,996	627	719
Other income		1,427	1,419	-	-
Distribution expenses		(2,608)	(2,902)	(3)	(2)
Administrative expenses		(27,953)	(24,635)	(3,953)	(2,552)
Other expenses		(7,491)	(4,477)	(1,000)	-
Loss on disposal of associated companies		(6,953)	-	-	-
Results from operating activities		(7,181)	(1,599)	(4,329)	(1,835)
Interest income		2,421	498	2,492	674
Finance costs		(5,530)	(4,679)	(4,196)	(3,669)
Operating loss	20	(10,290)	(5,780)	(6,033)	(4,830)
Share of profit after tax of equity accounted associates		5,199	5,129	-	-
Share of (loss)/profit of jointly controlled entities		(47)	1,200	-	-
(Loss)/Profit before tax		(5,138)	549	(6,033)	(4,830)
Tax expense	22	(1,336)	4,469	(511)	(4)
(Loss)/Profit for the year		(6,474)	5,018	(6,544)	(4,834)
Attributable to:					
Shareholders of the Company		(7,841)	4,327	(6,544)	(4,834)
Minority interest		1,367	691	-	-
(Loss)/Profit for the year		(6,474)	5,018	(6,544)	(4,834)
Basic (loss)/earnings per ordinary share (sen)	23	(2.29)	2.04		

The notes on pages 65 to 106 are an integral part of these financial statements.

statements of changes in equity
for the year ended 31 December 2007

Group	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Accumulated losses RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
	Attributable to Shareholders of the Company							
		Non-distributable						
At 1 January 2006	106,023	19,011	114	-	(16,608)	108,540	21,051	129,591
Foreign exchange translation differences	-	-	(138)	-	-	(138)	221	83
Revaluation of property, plant and equipment	-	-	-	18	-	18	-	18
Net gains recognised directly in equity	-	-	(138)	18	-	(120)	221	101
Profit for the year	-	-	-	-	4,327	4,327	691	5,018
Total recognised income and expense for the year	-	-	(138)	18	4,327	4,207	912	5,119
Acquisition of subsidiaries	-	-	-	-	-	-	16,668	16,668
Dividends to minority interest	-	-	-	-	-	-	(896)	(896)
At 31 December 2006	106,023	19,011	(24)	18	(12,281)	112,747	37,735	150,482
At 1 January 2007	106,023	19,011	(24)	18	(12,281)	112,747	37,735	150,482
Foreign exchange translation differences	-	-	(1,437)	-	-	(1,437)	(895)	(2,332)
Revaluation of property, plant and equipment	-	-	-	152	-	152	102	254
Net gains recognised directly in equity	-	-	(1,437)	152	-	(1,285)	(793)	(2,078)
Loss for the year	-	-	-	-	(7,841)	(7,841)	1,367	(6,474)
Total recognised income and expense for the year	-	-	(1,437)	152	(7,841)	(9,126)	574	(8,552)
Issuance of shares								
- rights issue	106,022	14,843	-	-	-	120,865	-	120,865
- exercise of Warrants 2007/2014	555	278	-	-	-	833	-	833
Rights issue expenses	-	(1,913)	-	-	-	(1,913)	-	(1,913)
Exercise of Warrants 2007/2014 expenses	-	(11)	-	-	-	(11)	-	(11)
Issuance of shares by a subsidiary to minority shareholders	-	-	-	-	-	-	640	640
Dividends to minority interest	-	-	-	-	-	-	(807)	(807)
At 31 December 2007	212,600	32,208	(1,461)	170	(20,122)	223,395	38,142	261,537

statements of changes in equity

for the year ended 31 December 2007 *(continued)*

Company	Share capital RM'000	*Non-distributable* Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 January 2006	106,023	19,011	(48,586)	76,448
Loss for the year	-	-	(4,834)	(4,834)
At 31 December 2006	106,023	19,011	(53,420)	71,614
Issuance of shares				
- rights issue	106,022	14,843	-	120,865
- exercise of Warrants 2007/2014	555	278	-	833
Rights issue expenses	-	(1,913)	-	(1,913)
Exercise of Warrants 2007/2014 expenses	-	(11)	-	(11)
Loss for the year	-	-	(6,544)	(6,544)
At 31 December 2007	212,600	32,208	(59,964)	184,844
	Note 15			

The notes on pages 65 to 106 are an integral part of these financial statements.

cash flow statements

for the year ended 31 December 2007

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	(5,138)	549	(6,033)	(4,830)
Adjustments for:				
Unrealised (gain) / loss on foreign exchange	90	(404)	3,564	2,006
Amortisation of intangible assets	270	-	-	-
Amortisation of prepaid lease payments	814	450	-	-
Depreciation of property, plant and equipment	6,309	5,311	-	-
Dividend income	-	-	(627)	(719)
Finance costs	5,530	4,679	4,196	3,669
Loss on disposal of associated companies	6,953	-	-	-
Gain on disposal of property, plant and equipment	(18)	(42)	-	-
Interest income	(2,421)	(498)	(2,492)	(674)
Allowance for diminution in value of investments	1,018	-	1,000	-
Gain on revaluation of property, plant and equipment	-	(19)	-	-
Change in fair value of investment property	250	-	-	-
Share of profit of equity accounted associates	(5,199)	(5,129)	-	-
Share of loss/(profit) of jointly controlled entities	47	(1,200)	-	-
Property, plant and equipment written off	189	34	-	-
Operating profit/(loss) before changes in working capital:	8,694	3,731	(392)	(548)
Receivables, deposits and prepayments	(25,199)	(3,011)	(32,301)	(23,874)
Inventories	(193)	(294)	-	-
Payables and accruals	13,645	(9,189)	117	162
Cash used in operations	(3,053)	(8,763)	(32,576)	(24,260)
Interest paid	(5,530)	(4,679)	(4,196)	(3,669)
Income taxes refunded/(paid)	267	2,660	(258)	(12)
Net cash used in operating activities	(8,316)	(10,782)	(37,030)	(27,941)

cash flow statements
for the year ended 31 December 2007 *(continued)*

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(68,254)	(37,185)	-	-
Acquisition of subsidiaries, net of cash acquired	-	(122)	-	-
Acquisition of preference shares in a subsidiary	-	-	-	(465)
Prepayment of lease term	(17,608)	(89)	-	-
Dividends received	4,201	11,745	627	719
Interest received	2,421	498	2,492	674
Proceeds from disposal of associates	24,315	-	-	-
Proceeds from disposal of property, plant and equipment	138	260	-	-
Net cash (used in)/generated from investing activities	(54,787)	(24,893)	3,119	928
Cash flows from financing activities				
Dividends paid to minority shareholders	(602)	(893)	-	-
Proceeds from issuing of equity shares in a subsidiary to minority shareholders	640	-	-	-
Net proceeds from issue of share capital	119,774	-	119,774	-
Proceeds from borrowings	66,616	56,229	-	27,000
Repayment of borrowings	(26,987)	(30,003)	(17,000)	-
Payment of finance lease liabilities	(211)	(237)	-	-
Net cash from financing activities	159,230	25,096	102,774	27,000
Exchange differences on translation of the financial statements of foreign entities	394	(132)	-	-
Net increase/(decrease) in cash and cash equivalents	96,521	(10,711)	68,863	(13)
Cash and cash equivalents at 1 January	19,318	29,818	6	19
Effect of exchange rate fluctuations on cash held	467	211	-	-
Cash and cash equivalents at 31 December	116,306	19,318	68,869	6

Cash and cash equivalents

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	91,234	14,849	68,600	-
Cash and bank balances	26,598	7,347	269	6
Bank overdrafts	(1,526)	(2,878)	-	-
	116,306	19,318	68,869	6

Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM69,815,000 (2006 - RM37,327,000), of which RM1,561,000 (2006 - RM142,000) were acquired by means of finance leases.

The notes on pages 65 to 106 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 follow:

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 2007 comprise the Company and its subsidiaries and the Group's interest in associates and / or jointly controlled entities. The financial statements of the Company as at and for the year ended 31 December 2007 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 8 April 2008.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards issued by the Malaysian Accounting Standards Board (MASB), accounting principles generally accepted in Malaysia and the provisions of the Companies Act, 1965. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The MASB has also issued the following Financial Reporting Standards (FRSs) and Interpretations that are effective for annual periods beginning after 1 January 2007 and that have not been applied in preparing these financial statements:

FRSs / Interpretations	**Effective date**
FRS 107, *Cash Flow Statements*	1 July 2007
FRS 111, *Construction Contracts*	1 July 2007
FRS 112, *Income Taxes*	1 July 2007
FRS 118, *Revenue*	1 July 2007
FRS 120, *Accounting for Government Grants and Disclosure of Government Assistance*	1 July 2007
Amendment to FRS 121, *The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation*	1 July 2007
FRS 134, *Interim Financial Reporting*	1 July 2007
FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*	1 July 2007
FRS 139, *Financial Instruments: Recognition and Measurement*	To be announced

notes to the financial statements

1. Basis of preparation
   (a) Statement of compliance *(continued)*

IC Interpretation 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	1 July 2007
IC Interpretation 2, *Members' Shares in Co-operative Entities and Similar Instruments*	1 July 2007
IC Interpretation 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	1 July 2007
IC Interpretation 6, *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	1 July 2007
IC Interpretation 7, *Applying the Restatement Approach under FRS 129, Financial Reporting in Hyperinflationary Economies*	1 July 2007
IC Interpretation 8, *Scope of FRS 2*	1 July 2007

The Group and the Company plan to apply the abovementioned FRSs and Interpretations for the annual period beginning 1 January 2008 except for FRS 139, *Financial Instruments: Recognition and Measurement* which the effective date has yet to be announced.

The initial application of the other FRSs and Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company.

(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 property

(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 significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

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

notes to the financial statements

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).

notes to the financial statements

2. Significant accounting policies

(a) Basis of consolidation

(iii) Joint ventures (*continued)*

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.

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.

(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 that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in 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.

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.

notes to the financial statements

2. Significant accounting policies

(c) Property, plant and equipment

(i) Recognition and measurement (continued)

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.

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 - 99 years
• plant and machinery	5 - 30 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.

notes to the financial statements

2. Significant accounting policies *(continued)*

(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.

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.

With the adoption of FRS 3 beginning 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 statements.

(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.

notes to the financial statements

2. Significant accounting policies

(e) Intangible assets *(continued)*

(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

(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 property

(i) Investment property 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.

notes to the financial statements

2. Significant accounting policies

(g) Investments property *(continued)*

(ii) Reclassification to / from investment property

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

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) 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.

(k) 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.

(l) Impairment of assets

The carrying amounts of assets except for financial assets / inventories / assets arising from construction contracts / deferred tax assets / investment property 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.

(m) Share capital

Shares issue expenses

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

notes to the financial statements

2. Significant accounting policies *(continued)*

(n) 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.

(o) Employee benefits

(i) Short term employee benefits

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

A 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 FRS2.

(p) Provisions

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

Contingent liabilities

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

notes to the financial statements

2. Significant accounting policies
    (p) Provisions *(continued)*

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

(q) 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.

(r) 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 contact. 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 surveys of work performed / the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs / completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the 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.

(s) 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.

notes to the financial statements
2. Significant accounting policies *(continued)*

(t) 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.

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.

(u) 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.

(v) 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.

notes to the financial statements

3. Property, plant and equipment

Group Cost / Valuation	Freehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2006	491	12,038	3,886	11,910	5,737	3,840	2,219	40,121
Additions	-	-	3,326	5,670	898	489	26,944	37,327
Disposals/write-off	-	-	(45)	(83)	(952)	(189)	-	(1,269)
Acquisition of subsidiaries	-	-	31,479	25,779	220	1	71	57,550
Elimination of accumulated depreciation on revaluation	-	(1,629)	-	-	-	-	-	(1,629)
Reclassification	-	-	-	2,704	(54)	(154)	(2,496)	-
Effect of movements in exchange rates	-	-	-	-	12	6	-	18
At 31 December 2006/ 1 January 2007	491	10,409	38,646	45,980	5,861	3,993	26,738	132,118
Additions	-	-	8,551	8,306	1,384	864	50,710	69,815
Disposals/write-off	-	-	-	(215)	(426)	(79)	-	(720)
Revaluation	254	-	-	-	-	-	-	254
Reclassification	-	-	41,096	23,771	-	-	(64,867)	-
Effect of movements in exchange rates	-	-	(1,033)	(1,226)	(36)	(10)	(722)	(3,027)
At 31 December 2007	745	10,409	87,260	76,616	6,783	4,768	11,859	198,440
Depreciation								
At 1 January 2006	-	1,470	311	1,525	3,478	2,199	-	8,983
Depreciation for the year	-	232	1,165	2,605	826	483	-	5,311
Disposals/write-off	-	-	(45)	(31)	(821)	(119)	-	(1,016)
Elimination of accumulated depreciation on revaluation	-	(1,667)	-	-	-	-	-	(1,667)
Effect of movements in exchange rates	-	-	-	-	5	10	-	15
At 31 December 2006/ 1 January 2007	-	35	1,431	4,099	3,488	2,573	-	11,626
Depreciation for the year	-	246	1,451	3,266	849	497	-	6,309
Disposals/write-off	-	-	-	(65)	(248)	(98)	-	(411)
Effect of movements in exchange rates	-	-	(38)	(96)	(4)	(3)	-	(141)
At 31 December 2007	-	281	2,844	7,204	4,085	2,969	-	17,383
Carrying amounts								
At 1 January 2006	491	10,568	3,575	10,385	2,259	1,641	2,219	31,138
At 31 December 2006/ 1 January 2007	491	10,374	37,215	41,881	2,373	1,420	26,738	120,492
At 31 December 2007	745	10,128	84,416	69,412	2,698	1,799	11,859	181,057

notes to the financial statements

3. Property, plant and equipment *(continued)*

Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles acquired under finance lease agreements with net book value of RM525,000 (2006 - RM402,000).

Property, plant and equipment under the revaluation model

Freehold building of a subsidiary was revalued on 31 January 2007 by independent professional qualified valuers using the open market value method.

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

Had the freehold land and buildings 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	
	2007 RM'000	**2006 RM'000**
Freehold land and buildings	10,188	10,423

The strata titles of certain buildings have not been issued to the Group as the master title has not been sub-divided.

Long term leasehold building of the Group with carrying amount amounting to RM7,650,000 (2006 - Nil) has been charged to a licensed bank to secure a term loan granted to a subsidiary as disclosed in Note 16.

4. Intangible assets

	Note	**Goodwill RM'000**	**Intangible assets RM'000**	**Total RM'000**
Group				
Cost				
At 1 January 2006		7,142	-	7,142
Acquisitions through business combinations	29	4,097	-	4,097
At 31 December 2006/1 January 2007		11,239	-	11,239
Reclassification		(7,556)	7,556	-
At 31 December 2007		3,683	7,556	11,239
Amortisation				
At 1 January 2006/31 December 2006/ 1 January 2007		-	-	-
Amortisation for the year		-	270	270
At 31 December 2007		-	270	270
Carrying amounts				
At 1 January 2006		7,142	-	7,142
At 31 December 2006/1 January 2007		3,683	7,556	11,239
At 31 December 2007		3,683	7,286	10,969

notes to the financial statements

4. Intangible assets *(continued)*

Impairment testing for cash-generating units containing goodwill

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

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

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

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

The intangible assets of the Group comprised the water concession rights of 30 years for subsidiaries in China, namely, Chenggong Salcon Water Company Limited, Linyi Salcon Water Company Limited and Haining Salcon Water Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited.

5. Prepaid lease payments

Group	Note	Leasehold land Unexpired period less than 50 years RM'000	Leasehold land Unexpired period more than 50 years RM'000	Total RM'000
Cost / Valuation				
At 1 January 2006		1,086	411	1,497
Acquisition through business combinations	29	14,888	-	14,888
Additions		89	-	89
At 31 December 2006/1 January 2007		16,063	411	16,474
Additions		11,208	6,400	17,608
Effect of movements in exchange rates		(429)	-	(429)
At 31 December 2007		26,842	6,811	33,653
Amortisation				
At 1 January 2006		33	41	74
Amortisation for the year		446	4	450
At 31 December 2006/1 January 2007		479	45	524
Amortisation for the year		798	16	814
Effect of movements in exchange rates		(13)	-	(13)
At 31 December 2007		1,264	61	1,325
Carrying amounts				
At 1 January 2006		1,053	370	1,423
At 31 December 2006/1 January 2007		15,584	366	15,950
At 31 December 2007		25,578	6,750	32,328

Leasehold land of a subsidiary was revalued on 31 July 2001 by independent professional qualified valuers using the open market value method.

The titles to long term leasehold land are in the process of being transferred to the subsidiary companies.

Leasehold land of the Group with carrying amount amounting to RM6,388,000 (2006 - Nil) has been charged to a licensed bank to secure a term loan granted to a subsidiary as disclosed in Note 16.

notes to the financial statements

6. Investment property

	Group 2007 RM'000	Group 2006 RM'000
At 1 January	2,318	2,318
Change in fair value	(250)	-
At 31 December	2,068	2,318

Included in the above are:

	Group 2007 RM'000	Group 2006 RM'000
Freehold land	230	330
Freehold land and buildings	1,628	1,681
Leasehold land and building with unexpired lease period of more than 50 years	210	307
	2,068	2,318

The lease contains an initial non-cancellable periods of 99 years.

The titles to freehold land and buildings with cost of RM574,000 are in the process of being transferred to the subsidiary company.

The investment property is determined based on current market values valued by independent professional qualified valuers.

7. Investments in subsidiaries

	Company 2007 RM'000	Company 2006 RM'000
Unquoted shares, at cost	80,265	80,265
Unquoted preference shares, at cost	7,267	7,267
Less: Impairment losses	(16,857)	(16,857)
	70,675	70,675

notes to the financial statements

7. Investments in subsidiaries *(continued)*

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2007	2006
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 Water (HK) Limited ^	Hong Kong	Investment holding company involve in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Yunnan (HK) Limited ^	Hong Kong	Investment holding company involve in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Linyi (HK) Limited ^	Hong Kong	Investment holding company involve 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 involve in water supply projects in the People's Republic of China via its subsidiary.	100%	100%
Salcon Water International Limited ^	Hong Kong	Dormant	100%	100%
Salcon Water (Asia) Limited ^	Hong Kong	Dormant	100%	100%
Salcon Capital Sdn. Bhd. (formerly known as Salcon Technology Sdn. Bhd.)	Malaysia	Dormant	100%	100%
Salcon Fujian (HK) Limited ^	Hong Kong	Dormant	100%	-
Salcon Water International Pte. Ltd. ^	Singapore	Dormant	100%	-
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd.	Malaysia	Marketing, sales and servicing of equipment for water and palm oil industries.	100%	100%
Precise Metal Sdn. Bhd.	Malaysia	Dormant	100%	100%

notes to the financial statements

7. Investments in subsidiaries *(continued)*

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2007	Effective ownership interest 2006
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%	60%
Salcon Infrastructure Sdn. Bhd.	Malaysia	Dormant	100%	100%
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd.	Malaysia	Dormant	100%	100%
Salcon Building Services Sdn. Bhd.	Malaysia	Property investment	100%	100%
Eagle Metalizing & Coatings Company Sdn. Bhd.	Malaysia	Dormant	60%	60%
Subsidiary of Salcon Water (HK) Limited				
Shandong Changle Salcon Water Company Limited ^	People's Republic of China	Management and operation of water production and distribution of water in Changle County, Shandong Province.	100%	100%
Subsidiary of Salcon Yunnan (HK) Limited				
Chenggong Salcon Water Company Limited ^	People's Republic of China	Management and operation of water production and distribution of water in Chenggong County, Kunming City, Yunnan Province.	60%	60%

notes to the financial statements

7. Investments in subsidiaries *(continued)*

Name of subsidiary	Country of incorporation	Principal activities	Effective ownership interest 2007	Effective ownership interest 2006
Subsidiary of Salcon Linyi (HK) Limited				
Linyi Salcon Water Company Limited ^	People's Republic of China	Management and operation of water production and distribution of water in Linyi City.	60%	60%
Subsidiary of Salcon Zhejiang (HK) Limited				
Haining Salcon Water Company Limited ^	People's Republic of China	Management and operation of water production and sale of water in Haining City, ZheJiang Province.	60%	60%
Subsidiary of Linyi Salcon Water Company Limited				
Linyi Water Supply Equipment Installation Company ^	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment.	60%	60%

^ Audited by other firm of accountants.

@ Although the Group owns less than half of the voting power of Salcon (Perak) Sdn. Bhd. ("SPSB"), it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of SPSB. Consequently, the Group consolidates its investment in the company.

8. Investment in associates

	Group 2007 RM'000	Group 2006 RM'000
Unquoted shares, at cost	11,800	28,795
Unquoted preference shares, at cost	10,000	10,000
Share of post-acquisition profits	13,348	16,645
	35,148	55,440

notes to the financial statements

8. Investment in associates *(continued)*

Summary financial information on associates:

2007	Country of incorporation	Effective ownership interest	Revenues (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
CCI*	Republic of Mauritius	-	-	-	-	-
EUC** #	Malaysia	40%	24,794	10,378	107,243	27,745
2006						
CCI*	Republic of Mauritius	49%	21,971	2,970	37,739	18,772
EUC**	Malaysia	40%	26,060	9,313	97,452	15,418
			48,031	12,283	135,191	34,190

* Cross Continental Investments. CCI holds 96.47% in Palm Tech India Ltd, a company incorporated in India.

** Emas Utilities Corporation Sdn. Bhd. EUC holds 90% in Binh An Water Corporation Ltd , a company incorporated in Vietnam.

\# Based on audited financial statements for the year ended 31 July 2007 and management accounts for the period ended 31 December 2007.

During the current financial year, a subsidiary of the Company, Salcon Engineering Berhad, disposed of its investment in an associated company, CCI, for RM24,700,000 and resulting in loss on disposal of RM6,953,000 for the Group.

9. Investment in jointly controlled entities

Details of jointly controlled entities are as follows:

	Principal activities	Proportion of ownership interest 2007	2006
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 joint venture is accounted for using proportionate consolidation method.

(ii) a) The Group entered into a joint venture with Hydrotek Company Limited and S.P.K. Construction Company Limited, both companies incorporated in Thailand, on 17 December 2001. The share of results is based on audited financial statements of the joint ventures for the financial year ended 31 December 2007.

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 Group's share of profit/(loss) of jointly controlled entities is loss of RM47,000 (2006 - profit of RM1,200,000).

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

notes to the financial statements

10. Other investments

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
At cost				
Quoted shares in Malaysia	-	175	-	-
Unquoted shares	175	6,475	-	-
Other investment	4,640	4,640	4,500	4,500
	4,815	11,290	4,500	4,500
Allowance for diminution in value				
- Quoted shares in Malaysia	-	(157)	-	-
- Unquoted shares	(175)	-	-	-
- Other investments	(1,054)	(54)	(1,000)	-
	3,586	11,079	3,500	4,500
Market value:				
Quoted shares in Malaysia	-	18	-	-

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets are attributable to the following:

	Assets 2007 RM'000	Assets 2006 RM'000	Liabilities 2007 RM'000	Liabilities 2006 RM'000	Net 2007 RM'000	Net 2006 RM'000
Property, plant and equipment	353	223	(370)	(363)	(17)	(140)
Provisions	338	338	-	-	338	338
Other items	-	216	-	-	-	216
Tax loss carry-forwards	5,838	6,007	-	-	5,838	6,007
Tax assets/(liabilities)	6,529	6,784	(370)	(363)	6,159	6,421
Set off of tax	(370)	(363)	370	363	-	-
Net tax assets/(liabilities)	6,159	6,421	-	-	6,159	6,421

In recognising the deferred tax assets attributable to unutilised tax loss 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 loss carry-forwards amounting to approximately RM22 million will not be available to the Group, resulting in a decrease in net deferred tax assets of RM6 million.

notes to the financial statements

11. Deferred tax assets and liabilities *(continued)*

Unrecognised deferred tax assets

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

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Other deductible temporary differences	13,412	13,412	-	-
Unabsorbed capital allowance	1,902	1,902	-	-
Unutilised tax losses	2,665	2,665	-	-
	17,979	17,979	-	-

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

Movement in temporary differences during the year

Group	At 1.1.2006 RM'000	Recognised in income statement (note 22) RM'000	At 1.1.2007 RM'000	Recognised in income statement (note 22) RM'000	At 31.12.2007 RM'000
Property, plant and equipment	(261)	121	(140)	123	(17)
Provisions	338	-	338	-	338
Other items	-	216	216	(216)	-
Tax loss carry-forwards	-	6,007	6,007	(169)	5,838
	77	6,344	6,421	(262)	6,159

12. Receivables, deposits and prepayments

		Group		Company	
	Note	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Trade					
Trade receivables		72,727	59,915	-	-
Less: Allowance for doubtful debts		(21,177)	(20,353)	-	-
	12.1	51,550	39,562	-	-
Amount due from contract customers	12.2	24,630	11,536	-	-
		76,180	51,098	-	-
Non-trade					
Amount due from associates	12.3	616	4,011	-	-
Amount due from subsidiaries	12.4	-	-	83,891	68,447
Other receivables	12.5	10,648	18,459	-	-
Deposits		727	1,148	23	-
Prepayments	12.6	20,599	12,492	13,600	564
		32,590	36,110	97,514	69,011
		108,770	87,208	97,514	69,011

notes to the financial statements

12. Receivables, deposits and prepayments *(continued)*

12.1 Trade receivables denominated in currencies other than the functional currency comprise:

Currencies	2007 RM'000	2006 RM'000
U.S. Dollar	1,536	465
Renminbi	3,057	3,385
Thai Baht	2,207	1,622

Included in trade receivables of the Group are retention sums amounting to RM6,513,000 (2006 - RM6,204,000) relating to construction work in progress. Retentions are unsecured, interest-free and are expected to be collected as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Within 1 year	1,745	2,042	-	-
1 – 2 years	1,951	960	-	-
2 – 3 years	1,125	1,040	-	-
3 – 4 years	1,125	1,040	-	-
4 – 5 years	567	1,122	-	-
	6,513	6,204	-	-

During the year, doubtful debt written off against allowance for doubtful debts made previously in the Group amounted to RM800,000 (2006 - Nil).

12.2 ***Amount due from contract customers***

	Group	
	2007 RM'000	2006 RM'000
Aggregate costs incurred to date	444,711	590,756
Add: Attributable profit	71,768	104,774
	516,479	695,530
Less: Progress billings	(495,120)	(686,612)
	21,359	8,918
Amount due to contract customers reclassified (Note 18)	3,271	2,618
Amount due from contract customers	24,630	11,536

Included in aggregate costs incurred during the year is hiring of equipment amounting to RM585,000 (2006 - RM446,000).

12.3 The amount due from associates is 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 RM38 million (2006 - RM22 million) which bear interest at rate of 3% (2006 - 3%) per annum.

12.5 Included in other receivables of the Group in 2006 was an amount of RM10.7 million being amount due from a corporate shareholder of a subsidiary company in the People's Republic of China which bear interest at rate of 4.2% per annum. This amount was repaid in 2007.

notes to the financial statements

12. Receivables, deposits and prepayments

12.5 *(continued)*

Included in other receivables of the Group in 2007 is 8 units of apartments received in lieu of debts amounting to RM2,550,000. As of 31 December 2007, the said properties are in the process of being transferred to the Group. It is the intention of the Group to liquidate these assets.

12.6 Included in prepayments of the Group and of the Company is a refundable deposit amounting to RM12,981,000 (2006 - Nil) relating to 10% downpayment paid to Maika Holdings Berhad's solicitors to hold as stakeholder for the proposed acquisition of 74.2% in investment in Oriental Capital Assurance Berhad. (Please refer to Notes 30 and 31)

Included in prepayment of the Group is RM4.3 million (2006 - RM7 million) being advances paid to contractors in constructing the water treatment plants in China.

13. Inventories

	Group	
	2007 RM'000	2006 RM'000
At cost:		
Raw materials and consumables	1,437	1,101
Spares	213	356
	1,650	1,457

In 2007, inventories recognised as cost of sales amounted to RM4,882,000 (2006 - RM4,513,000).

14. Cash and cash equivalents

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits placed with licensed banks	91,234	14,849	68,600	-
Cash and bank balances	26,598	7,347	269	6
	117,832	22,196	68,869	6

15. Capital and reserves

Share capital

	Group and Company			
	Amount 2007 RM'000	Number of shares 2007 '000	Amount 2006 RM'000	Number of shares 2006 '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	106,023	212,046	106,023	212,046
Issued for cash	106,577	213,154	-	-
On issue at 31 December	212,600	425,200	106,023	212,046

notes to the financial statements

15. Capital and reserves *(continued)*

During the financial year, the issued and paid-up share capital of the Company was increased from RM106,022,701 to RM212,600,402 by:-

(a) the issuance of a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants at an issue price of RM0.57 per new ordinary share on 18 May 2007, raising capital amounting to RM120,865,879 for the Company; and

(b) the issuance of 1,110,000 new ordinary shares of RM0.50 each arising from the exercise of Warrants 2007/2014 at the subscription price of RM0.75 per share on 19 June 2007, raising cash amounting to RM832,500 for the Company.

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.

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.

16. Borrowings

	Group		Company	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-current				
Finance lease creditors	1,194	148	-	-
Term loans (unsecured)	113,735	79,477	45,000	55,000
Term loan (secured)	9,260	-	-	-
	124,189	79,625	45,000	55,000
Current				
Bank overdrafts (unsecured)	1,526	2,878	-	-
Bankers' acceptances (unsecured)	2,993	2,625	-	-
Revolving credits (unsecured)	-	250	-	-
Term loans (unsecured)	15,301	20,953	10,000	17,000
Term loan (secured)	1,540	-	-	-
Finance lease creditors	404	100	-	-
	21,764	26,806	10,000	17,000

Term and debt repayment schedule

The unsecured overdrafts, bankers' acceptances and revolving credits are subject to interest at 7.75% to 9.25% (2006 - 7.75% to 9.25%), 4.60% to 5.00% (2006 – 4.30% to 5.30%) and 5.00% to 5.40% (2006 - 5.46% to 5.85%) per annum respectively.

The finance lease creditors, secured term loan and unsecured term loans are subject to interest at 2.39% to 3.88% (2006 - 2.65% to 4.73%), 5.45% (2006 - Nil) and 5.00% to 7.65% (2006 - 4.20% to 6.83%) per annum respectively.

notes to the financial statements

16. Borrowings

Term and debt repayment schedule *(continued)*

The unsecured term loans comprise a Collateralised Loan Obligation ("CLO") which is repayable within 5 years, from the effective drawdown date of 3 June 2004.

One of the term loans of the Group is secured over building with a carrying amount of RM7,650,000 (2006 - Nil) and prepaid lease payments with a carrying amount of RM6,388,000 (2006 - Nil).

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

Finance lease creditors

Finance lease creditors are payable as follows:

Group	Gross 2007 RM'000	Interest 2007 RM'000	Principal 2007 RM'000	Gross 2006 RM'000	Interest 2006 RM'000	Principal 2006 RM'000
Less than one year	474	(70)	404	110	(10)	100
Between one and five years	1,293	(99)	1,194	155	(7)	148
	1,767	(169)	1,598	265	(17)	248

Terms and debt repayment schedule

Group	Year of maturity	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2007						
Bank overdraft		1,526	1,526	-	-	-
Bankers' acceptances	2008	2,993	2,993	-	-	-
Term loans						
- RM	2008 - 2014	65,800	11,540	46,540	4,620	3,100
- RMB	2008 - 2013	74,036	5,301	13,141	39,207	16,387
Finance lease creditors	2008 - 2012	1,598	404	372	822	-
		145,953	21,764	60,053	44,649	19,487
2006						
Bank overdraft		2,878	2,878	-	-	-
Bankers' acceptances	2007	2,625	2,625	-	-	-
Revolving credits	2007	250	250	-	-	-
Term loans						
- RM	2007 - 2009	72,000	17,000	10,000	45,000	-
- RMB	2007 - 2010	28,430	3,953	20,338	4,139	-
Finance lease creditors	2007 - 2010	248	100	138	10	-
		106,431	26,806	30,476	49,149	-
Company						
2007						
Term loans						
- RM	2008 - 2009	55,000	10,000	45,000	-	-
2006						
Term loans						
- RM	2007 - 2009	72,000	17,000	10,000	45,000	-

notes to the financial statements

17. 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 2007 '000	2006 '000
Outstanding at 1 January	2,507	3,911
Addition*	988	-
Forfeited during the year	(208)	(1,404)
Outstanding at 31 December	3,287	2,507

Terms of the options outstanding at 31 December 2007:

Expiry date	Exercise price	Number
30 October 2008	RM1.28*	3,287,200*

* The option price and number of options had been adjusted following a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants.

notes to the financial statements

17. Employee benefits *(continued)*

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

	Group and Company 2007 '000	Group and Company 2006 '000
Number of ordinary shares		
Held at 1 January	2,507	3,911
Held at 31 December	3,287	2,507

	Group and Company 2007 RM'000	Group and Company 2006 RM'000
Fair value		
At 1 January	3,410	1,604
Outstanding at 31 December	3,945	3,410

18. Payables and accruals

	Note	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Trade					
Trade payables	18.1	31,621	27,536	-	-
Amount due to contract customers (Note 12)		3,271	2,618	-	-
		34,892	30,154	-	-
Non-trade					
Amount due to associates	18.2	195	-	-	-
Other payables	18.3	54,525	45,190	23	-
Accrued expenses		2,343	2,967	459	599
		57,063	48,157	482	599
		91,955	78,311	482	599

18.1 Trade payables denominated in currencies other than the functional currency comprise:

Currencies	2007 RM'000	2006 RM'000
Renminbi	10,259	4,024
Thai Baht	653	667
U.S. Dollar	26	513
Euro	192	-
Danish Kroner	12	-
Singapore Dollar	4	-

18.2 The amount due to associates is unsecured, interest free and repayable upon demand.

18.3 Included in other payables of the Group in 2007 and 2006 is an amount of RM30.3 million being amount payable to the Linyi Municipal Government for the acquisition of water related assets as mentioned in Note 29.

Included in other payables of the Group is advances received from contract customers amounting to RM11,111,000 (2006 - RM1,769,000).

notes to the financial statements

19. Revenue

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Contract revenue	130,853	117,623	-	-
Invoiced sales	3,747	3,667	-	-
Dividends	-	-	627	719
	134,600	121,290	627	719

20. Operating loss

	Group 2007 RM'000	Group 2006 RM'000	Company 2007 RM'000	Company 2006 RM'000
Operating loss is arrived at after charging:				
Allowance for diminution in value of investments	1,018	-	1,000	-
Allowance for doubtful debts	1,802	4,477	-	-
Amortisation of intangible assets	270	-	-	-
Amortisation of prepaid lease payments	814	450	-	-
Auditors' remuneration				
- Holding company auditors	127	125	30	30
- Other auditors	91	71	-	-
Bad debts written off	4,435	-	-	-
Depreciation of property, plant and equipment	6,309	5,311	-	-
Interest expense on:				
- Bank overdraft	68	59	-	-
- Loans	5,360	4,230	4,196	3,669
- Other borrowings	102	390	-	-
Loss on disposal of associated companies	6,953	-	-	-
Change in fair value of investment property	250	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	1,377	1,335	-	-
- Wages, salaries and others	21,344	18,556	20	160
Property, plant and equipment written off	189	34	-	-
Realised loss on foreign exchange	49	55	-	-
Rental of premises	85	91	-	-
Unrealised loss on foreign exchange	90	-	3,564	2,006

notes to the financial statements

20. Operating loss *(continued)*

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
and after crediting:				
Allowance for doubtful debts no longer required	178	-	-	-
Dividend income from subsidiaries (unquoted)	-	-	627	719
Gain on disposal of property, plant and equipment	18	42	-	-
Gain on revaluation of property, plant and equipment	-	19	-	-
Interest income:				
- Subsidiary	-	-	1,258	674
- Others	2,421	498	1,234	-
Realised gain on foreign exchange	295	21	-	-
Rental income on premises	742	-	-	-
Unrealised gain on foreign exchange	-	404	-	-

21. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- Fees	20	250	20	160
- Remuneration	1,948	1,541	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	67	100	-	-
	2,035	1,891	20	160

notes to the financial statements

22. Tax expense

Recognised in the income statement

	Group		Company	
	2007	**2006**	**2007**	**2006**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax expense	1,336	(4,469)	511	4
Current tax expense				
Malaysian - current year	3,005	1,883	515	-
- prior year	(2,294)	(33)	(4)	4
Overseas - current year	363	25	-	-
Total current tax recognised in the income statement	1,074	1,875	511	4
Deferred tax expense				
Origination and reversal of temporary differences	262	(6,344)	-	-
Total deferred tax recognised in the income statement	262	(6,344)	-	-
Total tax expense	1,336	(4,469)	511	4
Profit/(Loss) for the year	(6,474)	5,018	(6,544)	(4,834)
Total tax expense	1,336	(4,469)	511	4
Profit/(Loss) excluding tax	(5,138)	549	(6,033)	(4,830)
Tax calculated using Malaysian tax rate of:				
- income taxable at 20%	95	96	-	-
- income taxable at 27% (2006 - 28%)	(139)	273	(1,628)	(1,352)
Effect of tax rates in foreign jurisdiction	(115)	236	-	-
Non-deductible expenses	4,720	1,167	2,770	1,553
Tax exempt income	(931)	(201)	(627)	(201)
Recognition of previously unrecognised tax losses	-	(6,007)	-	-
	3,630	(4,436)	515	-
Under provided in prior years	(2,294)	(33)	(4)	4
	1,336	(4,469)	511	4

notes to the financial statements

23. Basic earnings per ordinary share - Group

The calculation of basic earnings per share at 31 December 2007 was based on the loss attributable to ordinary shareholders of RM7,841,000 (2006 - profit attributable to ordinary shareholders of RM4,327,000) and a weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

	2007 '000	**2006 '000**
Issued ordinary shares at 1 January	212,045	212,045
Effect of shares issued	130,117	-
Weighted average number of ordinary shares at 31 December	342,162	212,045

	2007 sen	**2006 sen**
Basic (loss)/earnings per share	(2.29)	2.04

24. Diluted earnings per ordinary share – Group

The diluted (loss)/earnings per share was not presented as it was anti-dilutive.

25. 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

The Group comprises the following main business segments:

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.

Geographical segments

WD segment is mainly operated in Malaysia, Vietnam, Thailand and People's Republic of China.

WWD segment is mainly operated in Malaysia.

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.

notes to the financial statements

25. Segment reporting *(continued)*

2007 Business segments	**WD RM'000**	**WWD RM'000**	**Others RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Total external revenue	87,167	36,390	11,043	-	134,600
Inter segment revenue	-	-	714	(714)	-
Total segment revenue	87,167	36,390	11,757	(714)	134,600
Segment result	(10,901)	3,261	459	-	(7,181)
Results from operating activities					(7,181)
Interest income					2,421
Finance costs					(5,530)
Share of profit of equity accounted associates					5,199
Share of profit of joint venture					(47)
Tax expense					(1,336)
Loss for the year					(6,474)
Segment assets	402,523	32,483	30,292	-	465,298
Investment in associates	35,148	-	-	-	35,148
Total assets	437,671	32,483	30,292	-	500,446
Segment liabilities	211,923	13,961	13,025	-	238,909
Capital expenditure	61,590	470	7,755	-	69,815
Depreciation	5,495	463	351	-	6,309
Amortisation of prepaid lease payments	802	-	12	-	814
Non-cash expense other than depreciation and amortisation	1,216	277	6,989	-	8,482

notes to the financial statements

25. Segment reporting *(continued)*

2006 **Business segments**	**WD** **RM'000**	**WWD** **RM'000**	**Others** **RM'000**	**Eliminations** **RM'000**	**Consolidated** **RM'000**
Total external revenue	73,799	38,877	8,614	-	121,290
Inter segment revenue	-	-	534	(534)	-
Total segment revenue	73,799	38,877	9,148	(534)	121,290
Segment result	(4,449)	2,186	664	-	(1,599)
Results from operating activities					(1,599)
Interest income					498
Finance costs					(4,679)
Share of profit of equity accounted associates					5,129
Share of profit of joint venture					1,200
Tax expense					4,469
Profit for the year					5,018
Segment assets	238,836	26,344	15,269	-	280,449
Investment in associates	35,197	-	20,243	-	55,440
Total assets	274,033	26,344	35,512	-	335,889
Segment liabilities	171,140	10,545	3,722	-	185,407
Capital expenditure	37,045	256	26	-	37,327
Depreciation	4,613	397	301	-	5,311
Amortisation of prepaid lease payments	450	-	-	-	450
Non-cash expense other than depreciation and amortisation	(360)	(57)	(14)	-	(431)

notes to the financial statements

25. Segment reporting *(continued)*

	Malaysia RM'000	Vietnam RM'000	Indonesia RM'000	Thailand RM'000	India RM'000	China RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Geographical segments									
2007									
Revenue from external customers	95,427	1,266	1,044	-	-	33,485	3,378	-	134,600
Segment assets	240,971	1,341	118	3,978	-	218,199	691	-	465,298
Investment in associates	-	35,148	-	-	-	-	-	-	35,148
Total assets	240,971	36,489	118	3,978	-	218,199	691	-	500,446
Capital expenditure	8,711	-	-	-	-	61,104	-	-	69,815
2006									
Revenue from external customers	88,577	2,325	4,880	823	-	23,341	1,344	-	121,290
Segment assets	102,383	214	207	4,557	10,376	162,686	26	-	280,449
Investment in associates	-	35,197	-	-	20,243	-	-	-	55,440
Total assets	102,383	35,411	207	4,557	30,619	162,686	26	-	335,889
Capital expenditure	439	-	-	-	-	36,888	-	-	37,327

26. 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. 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 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.

notes to the financial statements

26. Financial instruments *(continued)*

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 **2007**	**Average effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 - 2 years RM'000**	**2 - 3 years RM'000**	**3 - 4 years RM'000**	**4 - 5 years RM'000**	**More than 5 years RM'000**
Fixed rate instruments								
Deposits								
- RM	3.3	82,500	82,500	-	-	-	-	-
- RMB	3.3	8,734	8,734	-	-	-	-	-
		91,234	91,234	-	-	-	-	-
Term loan (unsecured)								
- RM	6.9	(45,000)	-	(45,000)	-	-	-	-
Finance lease creditors (secured)	5.0	(1,598)	(404)	(372)	(330)	(318)	(174)	-
		(46,598)	(404)	(45,372)	(330)	(318)	(174)	-
Floating rate instruments								
Bank overdrafts (unsecured)	8.3	(1,526)	(1,526)	-	-	-	-	-
Bankers' acceptances (unsecured)	4.8	(2,993)	(2,993)	-	-	-	-	-
Term loans (unsecured)								
- RM	5.0	(10,000)	(10,000)	-	-	-	-	-
- RMB	5.2	(74,036)	(5,301)	(13,141)	(22,004)	(17,203)	-	(16,387)
Term loan (secured)								
- RM	5.5	(10,800)	(1,540)	(1,540)	(1,540)	(1,540)	(1,540)	(3,100)
		(99,355)	(21,360)	(14,681)	(23,544)	(18,743)	(1,540)	(19,487)
2006								
Fixed rate instruments								
Deposits								
- RM	3.0	203	203	-	-	-	-	-
- RMB	2.1	14,646	14,646	-	-	-	-	-
		14,849	14,849	-	-	-	-	-
Term loan (unsecured)								
- RM	6.9	(45,000)	-	-	(45,000)	-	-	-
Finance lease creditors (secured)	4.9	(248)	(100)	(138)	(10)	-	-	-
		(45,248)	(100)	(138)	(45,010)	-	-	-

notes to the financial statements

26. Financial instruments

Effective interest rates and repricing analysis *(continued)*

Group **2006**	**Average effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 - 2 years RM'000**	**2 - 3 years RM'000**	**3 - 4 years RM'000**	**4 - 5 years RM'000**	**More than 5 years RM'000**
Floating rate instruments								
Bank overdrafts (unsecured)	8.3	(2,878)	(2,878)	-	-	-	-	-
Bankers' acceptances (unsecured)	4.7	(2,625)	(2,625)	-	-	-	-	-
Revolving credits (unsecured)	5.5	(250)	(250)	-	-	-	-	-
Term loans (unsecured)								
- RM	5.4	(27,000)	(17,000)	(10,000)	-	-	-	-
- RMB	4.2	(28,430)	(3,953)	(20,338)	(4,139)	-	-	-
		(61,183)	(26,706)	(30,338)	(4,139)	-	-	-

Company	**Average effective interest rate %**	**Total RM'000**	**Less than 1 year RM'000**	**1 - 2 years RM'000**	**2 - 3 years RM'000**	**3 - 4 years RM'000**	**4 - 5 years RM'000**	**More than 5 years RM'000**
2007								
Fixed rate instruments								
Term loan (unsecured)								
- RM	6.9	(45,000)	-	(45,000)	-	-	-	-
Floating rate instruments								
Term loan (unsecured)								
- RM	5.0	(10,000)	(10,000)	-	-	-	-	-
2006								
Fixed rate instruments								
Term loan (unsecured)								
- RM	6.9	(45,000)	-	-	(45,000)	-	-	-
Floating rate instruments								
Term loan (unsecured)								
- RM	5.4	(27,000)	(17,000)	(10,000)	-	-	-	-

notes to the financial statements

26. Financial instruments *(continued)*

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 Renminbi.

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.

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 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:

	2007		2006	
Group	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Quoted shares - long term	-	-	18	18
Unquoted shares	-	-	6,475	6,475
Other investment	3,586	3,586	4,586	4,586

It is not practicable within constraints of timeliness or cost to determine the fair value of investment in unquoted shares as the 6% Cumulative Redeemable Preference Shares will be redeemed at the discretion of the Directors. Therefore, the Directors deemed the fair value of the unquoted shares to approximate its carrying amount.

Estimation of fair values

The following summarises the methods used in determining the fair values of financial instruments reflected in the table.

Fair value of quoted shares is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

notes to the financial statements

27. Contingencies (unsecured)

(i) 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	
	2007	**2006**
	RM'000	**RM'000**
Bank guarantee given to third parties relating to performance, tender and advance payment bonds - unsecured	49,919	44,686

(ii) A supplier had on 20 September 2005 commenced legal action in the Shah Alam High Court ("SAHC") against Salcon Engineering Berhad ("SEB") seeking for an injunction against SEB from enforcing a bank guarantee given by the supplier to SEB in connection with the supply of pumps and motors ("the Goods") by the supplier to SEB, declaration that SEB has breached the warranty of the Goods and therefore the said bank guarantee should be cancelled and claim for the sum of RM178,398 for loss and damages suffered by the supplier by providing labour services towards the Goods. SEB denied and defended the claim and further counterclaimed against the supplier that there existed defects in the Goods rendering the Goods unfit for the purposes the Goods were designed for and/or the life span of the same is much less than its original life span and the defects were caused by the supplier in breach of the terms in the Purchase Order and also being negligent themselves. SEB also counterclaimed for a sum of RM1,200 against the supplier taking into account of the realisation of the bank guarantee and for a replacement of the Goods of which the full costs and expenses are to be borne by the supplier.

Exchange of pleadings has been ongoing and SAHC has on 3 May 2006 set 27 March 2007 as the hearing date for Pre-Trial Case Management and subsequently has been postponed to 8 October 2007. The matter is fixed on 21 April 2008 for case management.

In the opinion of the Directors, the success of the claim is remote and no provision is required to be made in the financial statements.

28. 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), associates (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 21.

Other related party transactions

	Transaction value Year ended 31 December	
	2007	**2006**
Company	**RM'000**	**RM'000**
Interest income		
- subsidiary	1,258	674

notes to the financial statements

29. Acquisition of subsidiaries

Business combination

(i) Salcon Berhad had on 8 June 2007, incorporated a wholly-owned subsidiary, Salcon Fujian (HK) Limited, a company incorporated in Hong Kong with a paid up capital of HK$1.00 divided into 1 share of HK$1.00 each. This change had no material impact on the earnings and net assets of the Group during the financial year.

(ii) Salcon Berhad had on 12 September 2007, incorporated a wholly-owned subsidiary, Salcon Water International Pte. Ltd., a company incorporated in Singapore with a paid up capital of S$1.00 divided into 1 share of S$1.00 each. This change had no material impact on the earnings and net assets of the Group during the financial year.

(iii) Salcon (Perak) Sdn. Bhd. ("SPSB"), a 60% subsidiary of Salcon Engineering Berhad ("SEB"), which is a wholly-owned subsidiary of Salcon Berhad, had on 18 December 2007 issued 5 new ordinary shares of RM1.00 each in the capital of SPSB to the following parties ("Shares Issuance"):-

Allottees	Number of Ordinary Shares
Pembinaan Punca Cergas Sdn. Bhd.	2
Dwitasik Construction Sdn. Bhd.	3
	5

Following the Shares Issuance, the shareholding of SEB in SPSB has been diluted to 40%. Although the Group owns less than half of the voting power of SPSB, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of SPSB. Consequently, the Group consolidates its investment in the company.

In 2006, the acquisition of Haining Salcon Water Company Limited and finalisation of assets injection in Linyi 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	57,550
Prepaid lease payments	5	14,888
Inventories		407
Receivables, deposits and prepayments		(10,727)
Cash and cash equivalents		29,080
Payables and accruals		(32,680)
Borrowings		(16,745)
Minority interest		(16,668)
Net identifiable assets and liabilities		25,105
Goodwill on acquisition	4	4,097
		29,202
Cash acquired		(29,080)
Net cash outflow		122

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.

notes to the financial statements

30. Significant events during the year

The significant events during the financial year were as follows:-

(i) During an Extraordinary General Meeting ("EGM") held on 30 March 2007, shareholders of the Company had approved the renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each together with 106,022,701 free detachable warrants, on the basis of 2 Rights Shares with 1 warrant for every 2 existing ordinary shares of RM0.50 each at an issue price of RM0.57 per new ordinary share.

(ii) A subsidiary of the Company, Salcon Engineering Berhad, disposed of its investment in an associated company, Cross Continental Investments, for RM24,700,000 and resulting in loss on disposal of RM6,953,000 to the Group.

(iii) On 24 October 2007, shareholders of the Company had approved during the EGM on the proposed acquisition of 74.2% investment in Oriental Capital Assurance Berhad for a total consideration of RM129,805,536 ("Proposed Acquisition"). The Share Sales Agreement dated 28 August 2007 on the Proposed Acquisition was signed between the Company and Maika Holdings Berhad ("Maika"). Pursuant to the terms of the Share Sales Agreement, a 10% refundable deposit amounting to RM12,981,000 (Note 12) was paid to the solicitor as stakeholder and deposited into interest bearing account.

31. Significant subsequent events

(i) On 8 January 2008, MIMB Investment Bank Berhad ("MIMB"), on behalf of the Board, announced that the Company has submitted its application to the Securities Commission ("SC") in relation to a Proposed Private Placement.

On 15 January 2008, MIMB, on behalf of the Board, announced that the SC has, vide its letter dated 11 January 2008, approved the following:-

(i) the private placement of up to 58,312,000 new ordinary shares of RM0.50 each ("Placement Shares"), representing up to 10% of the issued and paid up share capital of the Company; and

(ii) listing of and quotation for the new Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Board of Bursa Malaysia Securities Berhad.

On 16 January 2008, MIMB, on behalf of the Board, announced that the Company has fixed the issue price at RM1.09 per ordinary share of RM0.50 each to be issued pursuant to the Proposed Private Placement.

On 22 February 2008, MIMB, on behalf of the Board, announced that the Private Placement has been completed on 19 February 2008, with the listing of the 42,520,000 placement shar/es of RM0.50 each on the Main Board of Bursa Malaysia Securities Berhad.

(ii) On 22 February 2008, MIMB, on behalf of the Board, announced that the Company has requested for an extension of time to complete the Share Sale Agreement dated 28 August 2007 entered into between the Company and Maika in relation to the Proposed Acquisition which expires on 22 February 2008.

particulars of group properties

The properties of the Group at 31 December 2007 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
Salcon Resources Sdn Bhd	Geran 39929, PT No. 42695, Mukim Damansara, Daerah Petaling/15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	1,300.5 sq. metres of office space	8 years	31.01.2007	4,881
Salcon Resources Sdn Bhd	Geran 39930, PT No. 42696 Mukim Damansara, Daerah Petaling/16th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	1,300.5 sq. metres of office space	8 years	31.01.2007	4,881
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	11 years	14.03.2002	260
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	28 years	15.03.2002	851
					10,873

particulars of group properties

Long-term Leasehold Properties

Company	Location/Address	Description/ Existing Use	Approximate age of building	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	2,612
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 19.01.2053	16.11.2003	537
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	3,071
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	22,052
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	48,494
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	7,650
					84,416

analyses of shareholdings and warrantholdings

as at 30 April 2008

Analysis of Shareholdings

Authorised share capital		:	RM1,000,000,000
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	No. of shareholders	No. of shares	Percentage of issued capital
less than 100	1,443	74,400	0.02
100 — 1,000	1,025	588,650	0.13
1,001 — 10,000	2,744	13,616,836	2.91
10,001 — 100,000	1,003	32,008,916	6.84
100,001 — less than 5% of issued shares	203	354,722,402	75.84
5% and above of issued shares	1	66,709,600	14.26
Total	**6,419**	**467,720,804**	**100.00**

List of Substantial Shareholders

	Direct Interest		Indirect Interest	
Name of substantial shareholders	No. of shares	Percentage of issued capital	No. of shares	Percentage of issued capital
Naga Muhibah Sdn Bhd	66,709,600	14.26	-	-
Dato' Seri Goh Eng Toon	-	-	66,709,600*	14.26
Datin Seri Kee Seok Ai	-	-	66,709,600*	14.26

List of Thirty (30) Largest Shareholders

	Name of shareholders	No. of shares	Percentage of issued capital
1.	Naga Muhibah Sdn Bhd	66,709,600	14.26
2.	Leong Lai Shen	19,239,233	4.11
3.	Teng Li Ling	16,621,900	3.55
4.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for The Hong Kong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)*	15,422,900	3.30
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pheim Asset Management Sdn Bhd for Employees Provident Fund*	15,000,000	3.21
6.	Chai Moy Fong	14,919,500	3.19

analyses of shareholdings and warrantholdings

as at 30 April 2008

List of Thirty (30) Largest Shareholders *(continued)*

	Name of shareholders	No. of shares	Percentage of issued capital
7.	AIBB Nominees (Tempatan) Sdn Bhd *Hawang Kim Lian*	14,881,500	3.18
8.	Mayban Securities Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chua Carmen (Dealer 072)*	14,881,500	3.18
9.	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Wong Swee Yee (M12)*	14,000,000	2.99
10.	Cartaban Nominees (Asing) Sdn Bhd *The Governor and Company of The Bank of Ireland for KBC ECO Water Fund*	13,841,200	2.96
11.	HSBC Nominees (Asing) Sdn Bhd *KBC Bank NV Brussels for KBC Equity Fund*	12,801,700	2.74
12.	Syed Feisal Alhady	12,757,000	2.73
13.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)*	11,656,500	2.49
14.	Chai Seong Min	11,176,900	2.39
15.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts SG for Beadle Group Limited*	11,157,300	2.39
16.	Pembinaan Punca Cergas Sdn Bhd	10,000,000	2.14
17.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts SG for Grandly Star Capital Limited*	9,700,000	2.07
18.	How Teng Teng	9,638,400	2.06
19.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for JPMorgan Chase Bank, National Association (Jersey)*	8,000,000	1.71
20.	Ong Aun Kung	6,445,000	1.38
21.	Warisan Harta Sabah Sdn Bhd	5,785,200	1.24
22.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Prudential Fund Management Berhad*	5,660,700	1.21
23.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Beh Hang Kong (474099)*	5,200,000	1.11
24.	Employees Provident Fund Board	4,735,500	1.01
25.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Credit Suisse (SG BR-TST-ASING)*	4,733,000	1.01
26.	UBB (Malaysia) Trustee Berhad *Common Fund*	4,582,000	0.98
27.	Hari Narayanan a/l Govindasamy	4,400,000	0.94
28.	Wong Swee Yee	3,029,200	0.65
29.	HSBC Nominees (Asing) Sdn Bhd *TNTC for KBC Investment Trust*	2,137,300	0.46
30.	Choong Moh Kheng	2,000,000	0.43
	Total	**351,113,033**	**75.07**

analyses of shareholdings and warrantholdings
as at 30 April 2008

Analysis of Warrantholdings

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 warrantholder
	On poll	:	One vote for each warrant

Distribution of Warrantholdings

Size of warrantholdings	No. of warrantholders	No. of warrants	Percentage of outstanding warrant
less than 100	335	15,630	0.01
100 — 1,000	385	218,398	0.21
1,001 — 10,000	560	2,356,135	2.25
10,001 — 100,000	184	6,206,645	5.92
100,001 — less than 5% of outstanding warrants	57	55,640,325	53.03
5% and above of outstanding warrants	4	40,475,568	38.58
Total	**1,525**	**104,912,701**	**100.00**

List of Thirty (30) Largest Warrantholders

	Name of warrantholders	No. of warrants	Percentage of outstanding warrants
1.	Naga Muhibah Sdn Bhd	16,704,800	15.92
2.	Leong Lai Shen	11,999,588	11.44
3.	Teng Li Ling	6,465,400	6.16
4.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts SG for Beadle Group Limited*	5,305,780	5.06
5.	Chai Seong Min	5,028,450	4.79
6.	Wong Swee Yee	4,273,750	4.07
7.	HDM Nominees (Asing) Sdn Bhd *UOB Kay Hian (Hong Kong) Ltd for K.I.P. Investment Holdings Ltd*	4,050,000	3.86
8.	Chai Moy Fong	3,867,615	3.69
9.	Southern Investment Bank Berhad *Kumpulan Wang Simpanan Pekerja for Leong Kok Wah Eddy (EP0005)*	3,535,200	3.37
10.	HSBC Nominees (Asing) Sdn Bhd *RBS Coutts SG for Grandly Star Capital Limited*	2,500,000	2.38
11.	Seraya Acres Sdn Bhd	2,500,000	2.38
12.	How Teng Teng	2,409,600	2.30

analyses of shareholdings and warrantholdings

as at 30 April 2008

List of Thirty (30) Largest Warrantholders *(continued)*

	Name of warrantholders	No. of warrants	Percentage of outstanding warrants
13.	Kong Sum Mooi	2,287,250	2.18
14.	HSBC Nominees (Asing) Sdn Bhd *Exempt An for The HongKong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)*	2,193,900	2.09
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pheim Asset Management Sdn Bhd for Employees Provident Fund*	1,850,000	1.76
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An for Prudential Fund Management Berhad*	1,629,150	1.55
17.	Ong Aun Kung	1,616,100	1.54
18.	Shum Yuen Ming	1,417,000	1.35
19.	Citigroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Beh Hang Kong (474099)*	1,300,000	1.24
20.	UBB (Malaysia) Trustee Berhad *Common Fund*	1,055,000	1.01
21.	Leong Fee Foon	1,000,000	0.95
22.	Tan Kok Sing	1,000,000	0.95
23.	Hari Narayanan a/l Govindasamy	850,000	0.81
24.	HSBC Nominees (Asing) Sdn Bhd *TCSB for Diam China Open Mother Fund*	775,000	0.74
25.	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Jaggit Singh a/l Tara Singh (SFC)*	572,500	0.55
26.	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS for Asean Emerging Companies Growth Fund Ltd*	510,000	0.49
27.	Lee Thiam Lai	500,000	0.48
28.	Loo Say Peng	500,000	0.48
29.	Ong Aun Kung	500,000	0.48
30.	Mahadevan a/l Kathirgamathamby	462,950	0.44
	Total	**88,659,033**	**84.51**

analyses of shareholdings and warrantholdings
as at 30 April 2008

Directors' Interests in the Company and Related Corporations

Directors' Shareholdings

Name of Directors	Direct Interest No. of shares	Direct Interest Percentage of issued capital	Indirect Interest No. of shares	Indirect Interest Percentage of issued capital
Dato' Seri Goh Eng Toon	-	-	66,709,000*	14.262
Jaggit Singh a/l Tara Singh	3,490,000	0.746	-	-
Dato' Dr Freezailah bin Che Yeom	50,400	0.011	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-	-	-
Ho Tet Shin	-	-	21,400#	0.005

Directors' Warrantholdings

Name of Directors	Direct Interest No. of warrants	Direct Interest Percentage of outstanding warrants	Indirect Interest No. of warrants	Indirect Interest Percentage of outstanding warrants
Dato' Seri Goh Eng Toon	-	-	16,704,800*	15.922
Jaggit Singh a/l Tara Singh	572,500	0.546	-	-
Dato' Dr Freezailah bin Che Yeom	12,700	0.012	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-	-	-
Ho Tet Shin	-	-	10,700#	0.010

Directors' Options of Employees Share Option Scheme

Name of Directors	No. of options	Percentage of outstanding options
Dato' Seri Goh Eng Toon	-	-
Jaggit Singh a/l Tara Singh	840,000	25.554
Dato' Dr Freezailah bin Che Yeom	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas	-	-
Ho Tet Shin	-	-

Notes:

* Indirect interest held through Naga Muhibah Sdn Bhd
# Indirect interest held through his spouse, Wong Sook Kuen

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.

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proxy form

I/We ....
(FULL NAME IN BLOCK LETTERS)

of ....
(ADDRESS)

being a member(s) of **SALCON BERHAD** hereby appoint ....

....
(FULL NAME IN BLOCK LETTERS)

of ....

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Selangor Ballroom 2, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 26 June 2008 at 10.30 a.m and at any adjournment thereof.

	Resolutions	*For	*Against
1.	**Ordinary Business** To receive the Audited Financial Statements for the financial year ended 31 December 2007 together with the Reports of Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2007.		
3.	To re-elect Dato' Seri Megat Najmuddin bin Datuk Seri Dr Hj Megat Khas as Director.		
4.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	**Special Business** Re-appointment of Dato' Seri Goh Eng Toon as Director.		
6.	Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.		
7.	Authority to allot and issue shares pursuant to the Employees' Share Option Scheme.		

(*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 2008

Number of shares held :

If more than 1 proxy, please specify number of shares represented by each proxy

Proxy 1 :

Proxy 2 :

....

Signature of Shareholder(s) 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.

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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

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