



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010 - UNAUDITED**

	31/12/2010	31/12/2009
	RM'000	RM'000
		Restated
Assets		
Property, plant and equipment	364,345	250,865
Intangible assets	15,705	14,525
Investment properties	4,191	4,695
Investment in associate	30,690	32,128
Other investments	86	86
Deferred tax assets	2,441	2,441
Total non-current assets	<u>417,458</u>	<u>304,740</u>
Receivables, deposits and prepayments, including derivatives	271,771	287,509
Inventories	5,421	3,305
Current tax assets	143	91
Assets classified as held for sale	0	1,130
Cash and cash equivalents	145,230	147,519
Total current assets	<u>422,565</u>	<u>439,554</u>
Total assets	<u>840,023</u>	<u>744,294</u>
Equity		
Share capital	236,774	233,860
Reserves	50,865	67,207
Retained earnings	21,950	6,464
Total equity attributable to shareholders of the Company	<u>309,589</u>	<u>307,531</u>
Minority interest	<u>84,624</u>	<u>71,700</u>
Total equity	<u>394,213</u>	<u>379,231</u>
Liabilities		
Loans and borrowings	195,882	69,757
Total non-current liabilities	<u>195,882</u>	<u>69,757</u>
Payables and accruals, including derivatives	204,581	251,132
Loans and borrowings	40,305	41,317
Current tax liabilities	4,762	2,647
Dividend payable	280	210
Total current liabilities	<u>249,928</u>	<u>295,306</u>
Total liabilities	<u>445,810</u>	<u>365,063</u>
Total equity and liabilities	<u>840,023</u>	<u>744,294</u>
Net assets per share (RM)	0.65	0.66

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FORTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2010 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Revenue	118,652	68,922	418,233	369,873
Cost of sales	(105,857)	(50,607)	(344,935)	(297,115)
Gross Profit	12,795	18,315	73,298	72,758
Other income	3,753	1,045	14,184	4,352
Other expenses	(1,013)	(2,971)	(1,013)	(5,371)
Tendering and distribution costs	(1,424)	(1,620)	(5,167)	(4,182)
Administrative expenses	(11,982)	(7,549)	(43,918)	(33,918)
Profit from operations	2,129	7,220	37,384	33,639
Interest expense	448	(1,022)	(4,862)	(6,661)
Interest income	542	1,303	1,059	2,690
Share of profit after tax and minority interest of associates	983	840	3,643	3,790
Profit before tax	4,102	8,341	37,224	33,458
Taxation	(2,675)	(1,959)	(8,502)	(7,385)
Profit for the period	1,427	6,382	28,722	26,073
Profit attributable to:				
Owners of the Company	257	5,257	21,262	22,053
Minority interests	1,170	1,125	7,460	4,020
Profit for the period	1,427	6,382	28,722	26,073
Basic earnings per ordinary share (sen)	0.05	1.12	4.54	4.72
Diluted earnings per ordinary share (sen)	-	-	4.35	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FORTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2010 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Profit for the period	1,427	6,382	28,722	26,073
Other comprehensive (loss)/income, net of tax				
Foreign currency translation differences for foreign operations	5,175	(2,520)	(17,047)	(514)
Other comprehensive (loss)/income for the period, net of tax	5,175	(2,520)	(17,047)	(514)
Total comprehensive (loss)/income for the period	6,602	3,862	11,675	25,559
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(1,217)	2,447	2,764	22,303
Minority interests	7,819	1,415	8,911	3,256
Total comprehensive (loss)/income for the period	6,602	3,862	11,675	25,559

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FORTH QUARTER ENDED 31 DECEMBER 2010 - UNAUDITED**

	Attributable to owners of the Company						Distributable (Accumulated losses)/ Retained earnings	Total	Minority interest	Total equity
	Share capital	Share premium	Warrant reserve	Translation reserve	Share option reserve	Revaluation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	233,860	35,067	22,150	10,354	-	150	(11,298)	290,283	57,935	348,218
Total comprehensive income for the period	-	-	-	(514)	-	-	22,053	21,539	3,256	24,795
Dividends to shareholders	-	-	-	-	-	-	(4,291)	(4,291)	-	(4,291)
Acquisition by minority interests	-	-	-	-	-	-	-	-	12,611	12,611
Dividends to minority interest	-	-	-	-	-	-	-	-	(2,102)	(2,102)
At 31 December 2009	233,860	35,067	22,150	9,840	-	150	6,464	307,531	71,700	379,231
At 1 January 2010	233,860	35,067	22,150	9,840	-	150	6,464	307,531	71,700	379,231
- effect of adopting FRS 139	-	-	-	-	-	-	1,239	1,239	-	-
At 1 January 2010, as restated	233,860	35,067	22,150	9,840	-	150	7,703	308,770	71,700	380,470
Total comprehensive (loss)/income for the period	-	-	-	(18,498)	-	-	21,262	2,764	8,911	11,675
Acquisition by minority interests	-	-	-	-	-	-	-	-	9,412	9,412
Issuance of shares	2,914	407	-	-	-	-	-	3,321	-	3,321
Share-based payment transactions	-	-	-	-	1,749	-	-	1,749	-	1,749
Dividends to shareholders	-	-	-	-	-	-	(7,015)	(7,015)	-	(7,015)
Dividends to minority interest	-	-	-	-	-	-	-	-	(5,399)	(5,399)
At 31 December 2010	236,774	35,474	22,150	(8,658)	1,749	150	21,950	309,589	84,624	394,213

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE FORTH QUARTER ENDED 31 DECEMBER 2010 - UNAUDITED**

	12 months Ended 31/12/2010 RM'000	12 months Ended 31/12/2009 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	37,224	33,458
Adjustments for :		
- Non-cash items	7,964	9,497
- Non-operating items	3,803	3,971
Operating profit before changes in working capital	<u>48,991</u>	<u>46,926</u>
Changes in working capital	<u>(31,264)</u>	<u>5,562</u>
Cash generate from operations	17,727	52,488
Income taxes paid	(6,440)	(2,312)
Interest paid	<u>(4,862)</u>	<u>(6,661)</u>
Net cash generated from operating activities	<u>6,425</u>	<u>43,515</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	21,187	214
- Proceeds from disposal of assets classified as held for sale	-	7,500
- Acquisition of property, plant and equipment	(154,396)	(42,567)
- Acquisition of subsidiary, net of cash acquired	(1,544)	8,998
- Acquisition of investment properties	(54)	(1,285)
- Prepayment of lease term	(3,344)	(2,968)
- Dividends received	5,081	1,203
- Interest received	1,059	2,690
Net cash used in investing activities	<u>(132,011)</u>	<u>(26,215)</u>
<u>Cash flows from financing activities</u>		
- Proceeds from issuance of share capital	3,321	-
- Proceeds from issuing of equity shares in a subsidiary to minority shareholders	9,412	1,402
- Proceeds from bank borrowings	228,869	44,284
- Repayments of bank borrowings	(101,159)	(94,520)
- Dividends paid to shareholders of the Company	(7,016)	(4,291)
- Dividends paid to minority shareholders	(5,329)	(925)
- Payment of hire purchase liabilities	(1,629)	(780)
Net cash generated from/(used in) financing activities	<u>126,469</u>	<u>(54,830)</u>
Exchange differences on translation of the financial statements of foreign entities	1,162	289
Net decrease in cash and cash equivalents	<u>2,045</u>	<u>(37,241)</u>
Cash and cash equivalents at beginning of period	147,312	184,707
Effects of exchange rate fluctuations on cash held	<u>(7,756)</u>	<u>(154)</u>
Cash and cash equivalents at end of period	<u>141,601</u>	<u>147,312</u>



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The cash and cash equivalents comprise the following balance sheet amounts

	12 months Ended 31/12/2010 RM'000	12 months Ended 31/12/2009 RM'000
Cash and bank balances	51,444	98,253
Deposits placed with licensed banks	93,786	49,266
Bank overdrafts	(3,629)	(207)
	<u>141,601</u>	<u>147,312</u>

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE CUMULATIVE FORTH QUARTER ENDED 31 DECEMBER 2010

A. EXPLANATORY NOTES PURSUANT TO FRS 134 – Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 – Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and with the explanatory notes attached herein. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last audited financial statement for year ended 31 December 2009.

1.1 Changes in Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2009 except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations by the Group with effect from 1 January 2010.

FRSs, Amendments to FRSs and Interpretations

FRS 4, Insurance Contracts

FRS 7, Financial Instruments: Disclosures

FRS 8, Operating Segments

FRS 101, Presentation of Financial Statements (revised)

FRS 123, Borrowing Costs (revised)

FRS 139, Financial Instruments: Recognition and Measurement

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards

Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 7, Financial Instruments: Disclosures

Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and

Obligations Arising on Liquidation

Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 132, Financial Instruments: Presentation

– Puttable Financial Instruments and Obligations Arising on Liquidation

– Separation of Compound Instruments

Amendments to FRS 139, Financial Instruments: Recognition and Measurement

– Reclassification of Financial Assets

– Collective Assessment of Impairment for Banking Institutions

Improvements to FRSs (2009)

IC Interpretation 9, Reassessment of Embedded Derivatives

IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions

IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction



The adoption of the abovementioned FRSs, Amendments to FRSs and Interpretations will have no material impact on the financial statements of the Group except for the following:

a) FRS 8: Operating Segments (FRS 8)

FRS 8 requires segment information to be presented on a similar basis to that user for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

b) FRS 101: Presentation of Financial Statements (FRS 101)

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

c) FRS 139, Financial Instruments: Recognition and Measurement

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

i) Initial recognition and measurement

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

ii) Financial instrument categories and subsequent measurement

The group categorises financial instruments as follows:

Financial assets

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

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

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

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



b) Loan and receivables

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

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

Financial liabilities

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

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

Derivatives

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

Impact on opening balance

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following balances in the statement of financial position as at 1 January 2010,

	Retained earnings RM'000
At 1 January 2010, as previously stated	6,464
- recognition of derivatives previously not recognised, net of tax	1,239
At 1 January 2010, as restated	<u>7,703</u>



d) Amendments to FRS 117 : Leases [Improvements to FRSs (2009)]

The Company has adopted the amendment to FRS 117. The Company reassessed and determined that all leasehold land of the Company are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment and has no effect on the reported profit equity. The following comparative figures have been restated following the adoption of the amendments to FRS 117:

	As previously reported RM'000	Adoption of FRS 117 RM'000	As restated RM'000
Property, plant and equipment	221,581	29,284	250,865
Prepaid lease payments	29,284	(29,284)	-

2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements for the year ended 31 December 2009 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The principal activities of the Group are not subject to any seasonal or cyclical changes.

4. Unusual Items that Affect the Financial Statements

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the cumulative quarter ended 31 December 2010.

5. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect in the current interim period.

6. Debt and Equity Securities

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the cumulative quarter ended 31 December 2010 other than the issuance of 5,827,500 new ordinary shares of RM0.50 each pursuant to the exercise of the Employees' Share Option Scheme (ESOS) at the option price of RM0.57.



7. Dividends Paid

The dividend paid for the cumulative quarter ended 31 December 2010 is as follows:-

	Cumulative Quarter To-date 31/12/10 RM'000
First and final single tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2009 was paid on 23 July 2010	7,015

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2010 are as follows:-

	Construction	Concessions	Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	271,747	92,472	54,014	-	418,233
Inter segment	-	-	-	-	-
	271,747	92,472	54,014	-	418,233
Results					
Profit from operations	3,566	21,212	12,606	-	37,384
Share of profit after tax and minority interest of associates	-	3,643	-	-	3,643
	3,566	24,855	12,606	-	41,027
Net financing costs					(3,803)
Profit before taxation					37,224

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2010. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period up to 21 February 2011 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report), that have not been reflected in the financial statement for the interim period.



11. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the following:-

- (i) Salcon Berhad (“the Company”) has on 12 February 2010 acquired one (1) ordinary share of HK\$1.00 representing 100% equity interest in Kingstone Enterprise Group Limited (“KEG”), a shelf company incorporated in Hong Kong, for a consideration of HK\$1.00. With the acquisition, KEG is a wholly-owned subsidiary of the Company. The authorized share capital of KEG is HK\$10,000.00 divided into 10,000 ordinary shares of HK\$1.00 each, and its principal activity is investment holding.

- (ii) Salcon Berhad (“the Company”) has on 13 August 2010 acquired one (1) ordinary share of HK\$1.00 representing 100% equity interest in Greatwall Capital Resources Limited (“GCR”), a shelf company incorporated in Hong Kong, for a consideration of HK\$1.00. With the acquisition, GCR is a wholly-owned subsidiary of the Company. The authorized share capital of GCR is HK\$10,000.00 divided into 10,000 ordinary shares of HK\$1.00 each, and its principal activity is investment holding.

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

12. Changes in Contingent Liabilities/Contingent Assets

The contingent as at financial period ended 31 December 2010 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	163,180
Guarantees given in favour of third parties	<u>10,918</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	309,589
No. of shares	<u>473,548</u>
NA per share (RM)	<u>0.65</u>



B. ADDITIONAL DISCLOSURE PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 31/12/2010 RM'000	Cumulative Quarter To-date 31/12/2010 RM'000
Malaysian - current period	1,358	5,826
- prior years	(75)	(166)
Overseas - current period	<u>1,392</u>	<u>2,842</u>
	<u>2,675</u>	<u>8,502</u>

The Group's lower effective tax rate (excluding the results of associates which is equity accounted net of tax) is mainly due to certain overseas income is exempted from tax.

2. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments during the cumulative quarter ended 31 December 2010 except for the disposal of leasehold property which resulted a net gain of RM5.9 million.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 31 December 2010.

4. Status of Corporate Proposals

On 22 November 2010, Salcon Berhad ("Salcon" or the "Company") entered into a Conditional Sale and Purchase Agreement ("SPA") with Challenger Emerging Market Infrastructure Fund Pte. Ltd. ("EMIF") in relation to the proposed disposal by the Company of 40% of the entire issued and paid-up share capital of Salcon Water (Asia) Limited ("Salcon Asia") to EMIF for a total cash consideration of Renminbi ("RMB") 238 million (or an equivalent of Hong Kong dollar ("HKD") 278.46 million or RM12.26 million based on an exchange rate of RMB1.00 : HKD1.17 and RM1.00 : RMB2.12 respectively) ("Proposed Disposal").

To facilitate, inter-alia, the Proposed Disposal, Salcon shall undertake a proposed internal restructuring involving its wholly-owned subsidiary company, namely, Salcon Asia (currently a dormant investment holding company), and five (5) other wholly-owned subsidiary companies of the Company, namely, Salcon Services (HK) Limited, Salcon Shandong (HK) Limited, Salcon Linyi (HK) Limited, Salcon Zhejiang (HK) Limited and Salcon Fujian (HK) Limited (collectively referred to as the "HK Subsidiaries") (which are principally involved in water treatment, sewage treatment, raw water supply/transfer activities) whereby the HK Subsidiaries will become approximately 99.99%-owned subsidiary companies of Salcon Asia ("Proposed Internal Restructuring").



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The Proposed Internal Restructuring is to be completed prior to the Proposed Disposal.

On 21 January 2011, the ordinary resolution set out in the Notice of EGM regarding the Proposed Disposal was duly passed by the shareholders of the Company.

5. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2010 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Long Term Borrowings			
Term loan	-	193,606	193,606
Finance lease creditors	<u>2,276</u>	<u>-</u>	<u>2,276</u>
	<u>2,276</u>	<u>193,606</u>	<u>195,882</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	3,629	3,629
Revolving credits	-	5,016	5,016
Bankers acceptances	-	1,153	1,153
Term loan	-	28,980	28,980
Finance lease creditors	<u>1,527</u>	<u>-</u>	<u>1,527</u>
	<u>1,527</u>	<u>38,778</u>	<u>40,305</u>
Total Group Borrowings	<u>3,803</u>	<u>232,384</u>	<u>236,187</u>

Included in the above Group borrowings are the following loans denominated in Chinese Renminbi (RMB) :

	Foreign currency RMB'000	Equivalent RM'000
Long Term Borrowings (Unsecured)	333,775	155,606
Short Term Borrowings (Unsecured)	<u>52,387</u>	<u>24,423</u>

6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 21 February 2011 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

7. Changes in Material Litigation

There was no material update as at 21 February 2011 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

8. Material Changes in the Results of the Current Quarter compared to that of the Preceding Quarter

For the current financial quarter, the Group revenue was higher by 52% and profit before tax was lower by 25% respectively as compared with the immediate preceding quarter.



9. Review of Performance of the Company and its Principal Subsidiaries

For the current financial quarter under review, the Group achieved higher revenues amounting to RM118.65 million compared to RM68.92 million for the same period in the preceding year; or an increase of 72% due to higher revenue of construction projects. However, profit before taxation was lower by 51%, due to prolonged wet weather resulting in higher construction cost for KK Sewage project.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM418.23 million and RM37.22 million representing 13% and 11% higher respectively as compared to the corresponding quarter in the preceding year.

10. Prospects

The targeted completion of the proposed corporate exercise of selling 40% stake in six of the Group's concessions in China to Challenger Emerging Market Infrastructure Fund Pte. Ltd. (EMIF) in the first quarter of 2011 is expected to enable us to expand and seize the opportunities in the China water and waste market. The Group shall continue to seek new concessions to secure a stable and recurrent income stream via prudent investment strategies.

The group will strive to replenish its order book by continuously tendering for the projects to be implemented under the Tenth Malaysia Plan (10MP) and the Engineering, Procurement, Construction and Commissioning (EPCC) contracts in the emerging market overseas.

11. Variance of Profit Forecast / Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

12. Proposed Dividend

The Board of Directors intend to propose a final dividend of 3% or 1.5 sen (single tier tax exempt) per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2010 for the approval of the shareholders at the Eighth Annual General Meeting.

13. Financial instruments - derivatives

With the adoption of FRS 139, as per note 1.1(c), financial derivatives are recognized on their respective contract dates. There are no off balance sheet financial instruments.

As at 31 December 2010, the Group has the following outstanding foreign currency forward contracts under derivative financial instruments with the notional value of RM26.77 million:

Derivatives	Carrying Value RM'000	Fair Value RM'000
Foreign currency forward contracts – less than one year	518	518



14. Earnings Per Share

The basic and diluted earnings per share have been calculated based on the consolidated net profit attributable to equity holders of the parent for the period and the weighted average number of ordinary shares outstanding during the period as follows:

Basic earnings per share

	Current Quarter Ended 31/12/2010	Comparative Quarter Ended 31/12/2009	Cumulative Quarter To-date 31/12/2010	Cumulative Quarter To-date 31/12/2009
Profit attributable to equity holders of the parent (RM'000)	<u>257</u>	<u>5,257</u>	<u>21,262</u>	<u>22,053</u>
Weighted average number of ordinary shares				
Issued ordinary shares at beginning of period ('000)	<u>467,720</u>	<u>467,720</u>	<u>467,720</u>	<u>467,720</u>
Effect of shares issued during the period ('000)	<u>2,606</u>	<u>-</u>	<u>657</u>	<u>-</u>
Weighted average number of ordinary shares ('000)	<u>470,326</u>	<u>467,720</u>	<u>468,377</u>	<u>467,720</u>
Basic earnings per share (sen)	0.05	1.12	4.54	4.72

Diluted earnings per share

	Current Quarter Ended 31/12/2010	Comparative Quarter Ended 31/12/2009	Cumulative Quarter To-date 31/12/2010	Cumulative Quarter To-date 31/12/2009
Profit attributable to equity holders of the parent (RM'000)	<u>257</u>	<u>5,257</u>	<u>21,262</u>	<u>22,053</u>
Weighted average number of ordinary shares (diluted)				
Weighted average number of ordinary shares as above ('000)	<u>470,326</u>	<u>467,720</u>	<u>468,377</u>	<u>467,720</u>
Effect of approved unexercised ESOS ('000)	<u>20,103</u>	<u>-</u>	<u>20,103</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>490,429</u>	<u>467,720</u>	<u>488,480</u>	<u>467,720</u>
Diluted earnings per share (sen)	*	*	4.35	*

* Note: Antidilutive



15. Realised and Unrealised Profits

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

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

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

	As at 31/12/2010 RM'000	As at 30/09/2010 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	58,976	56,130
- Unrealised	(381)	(103)
	<hr/>	<hr/>
	58,595	56,027
Total share of retained profits from associated company:		
- Realised	8,034	12,132
Total share of retained profits from jointly controlled entities:		
- Realised	1,496	1,496
	<hr/>	<hr/>
	68,125	69,655
Less: Consolidation adjustments	(47,657)	(49,201)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	20,468	20,454
	<hr/>	<hr/>

Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 February 2011.

ON BEHALF OF THE BOARD

DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
28 February 2011