

Puncak Niaga Holdings Berhad (416087-U)
Unaudited Third Quarterly Financial Statements Ended 30 September 2010
Condensed Consolidated Income Statements

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter	Corresponding	Todate	Corresponding
		3 months ended	Quarter	9 months ended	Period
		30.9.2010	30.9.2009	30.9.2010	30.9.2009
		RM'000	RM'000	RM'000	RM'000
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	A13(a)	493,284	494,175	1,444,310	1,425,541
Other income		36,084	30,170	91,302	86,771
Operating costs		(205,162)	(201,410)	(620,529)	(575,908)
Construction contract expenses		(870)	(5,901)	(9,156)	(13,685)
Depreciation and amortisation expenses		(136,975)	(132,058)	(396,131)	(383,441)
Profit from operations		186,361	184,976	509,796	539,278
Finance costs		(101,314)	(86,564)	(282,365)	(252,888)
Share of results of jointly controlled entity		356	(155)	88	(175)
Profit before taxation		85,403	98,257	227,519	286,215
Taxation:-					
- Income taxation		(6,150)	(6,202)	(14,895)	(18,344)
- Deferred taxation		(21,137)	(19,740)	(49,202)	(57,090)
	B5	(27,287)	(25,942)	(64,097)	(75,434)
Profit for the period		58,116	72,315	163,422	210,781
Attributable to:					
Equity holders of the Company		37,433	46,745	106,734	138,613
Non-controlling interest		20,683	25,570	56,688	72,168
Profit for the period		58,116	72,315	163,422	210,781
		sen	sen	sen	sen
Earnings per share attributable to equity holders of the Company:					
- basic	B13(a)	9.15	11.43	26.09	33.88
- diluted	B13(b)	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited Third Quarterly Financial Statements Ended 30 September 2010
Condensed Consolidated Statements of Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	Todate	Corresponding
	3 months ended	Quarter	9 months ended	Period
Note	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit for the period	58,116	72,315	163,422	210,781
Other Comprehensive Income:				
Currency translation differences arising from consolidation	(1,920)	(2,619)	(4,533)	142
Total comprehensive income for the period	56,196	69,696	158,889	210,923
Total comprehensive income attributable to:				
Equity holders of the Company	35,627	43,948	102,484	138,559
Non-controlling interest	20,569	25,748	56,405	72,364
	56,196	69,696	158,889	210,923

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

Puncak Niaga Holdings Berhad (416087-U)
Unaudited Third Quarterly Financial Statements Ended 30 September 2010
Condensed Consolidated Statement of Financial Position

	Note	As at 30.9.2010 RM'000 Unaudited	As at 31.12.2009 RM'000 Audited Restated
ASSETS			
Non-current assets			
Property, plant & equipment	A1 (f) & A13 (c)	1,613,934	1,597,241
Project development expenditure		4,366,273	3,994,674
Investment in associates		41	41
Interest in jointly controlled entities		5,774	5,660
Debt service reserve account		283,991	278,606
Long-term receivables	A1 (e)	331,484	367,966
Goodwill on consolidation		514,612	515,312
		7,116,109	6,759,500
Current assets			
Held for trading investments			
- Other investments	A1 (e)	85,859	4,602
- Short term funds	A1 (e)	48,105	30,330
Inventories		17,568	13,859
Amount due from customers on construction contract		12,861	9,408
Trade receivables	A 13(a)(ii)	995,601	689,254
Other receivables, deposits and prepayments		74,755	63,820
Tax recoverable		651	2,135
Deposits, cash and bank balances		1,208,918	1,186,202
		2,444,318	1,999,610
TOTAL ASSETS		9,560,427	8,759,110
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		411,143	411,143
Reserves		1,083,422	1,068,599
Treasury shares		(5,941)	(5,941)
Shareholders' equity		1,488,624	1,473,801
Non-controlling interest		321,315	264,842
Total equity		1,809,939	1,738,643
Non-current liabilities			
Borrowings and debt securities	B9	4,521,967	4,457,704
Redeemable cumulative preference shares	A1 (g) & A6	603,833	523,400
Long-term payables		9,795	11,427
Deferred taxation		271,915	223,075
Government grant	A1 (g)	290,426	242,233
		5,697,936	5,457,839
Current liabilities			
Borrowings and debt securities	B9	396,389	395,665
Amount due to customers on construction contract		-	4,161
Trade and other payables		1,248,001	761,324
Deposit from consumers		392,016	375,030
Tax payable		16,146	26,448
		2,052,552	1,562,628
Total liabilities		7,750,488	7,020,467
TOTAL EQUITY AND LIABILITIES		9,560,427	8,759,110
Net assets per share attributable to equity holders of the Company (RM)		3.64	3.60

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

Puncak Niaga Holdings Berhad (416087-U)
 Unaudited Third Quarterly Financial Statements Ended 30 September 2010
Condensed Consolidated Statement of Changes in Equity

		----- Attributable to Equity Holders of the Company -----							
		----- Non-distributable -----			Distributable				
	Note	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Exchange Reserves RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
9 months period ended 30 September 2010									
At 1 January 2010		411,143	102,878	(5,941)	384	965,337	1,473,801	264,842	1,738,643
- Effects of adoption FRS 139	A1(e)	-	-	-	-	(46,750)	(46,750)	-	(46,750)
At 1 January 2010, as restated		411,143	102,878	(5,941)	384	918,587	1,427,051	264,842	1,691,893
Acquisition of additional equity interest in subsidiary	A11(b)	-	-	-	-	-	-	68	68
Total comprehensive income for the period		-	-	-	(4,250)	106,734	102,484	56,405	158,889
Dividend	A7	-	-	-	-	(40,911)	(40,911)	-	(40,911)
At 30 September 2010 (Unaudited)		411,143	102,878	(5,941)	(3,866)	984,410	1,488,624	321,315	1,809,939
9 months period ended 30 September 2009									
At 1 January 2009		411,143	102,878	(5,941)	621	863,879	1,372,580	177,719	1,550,299
Investment in subsidiary		-	-	-	-	-	-	384	384
Total comprehensive income for the period		-	-	-	(54)	138,613	138,559	72,364	210,923
Dividend	A7	-	-	-	-	(40,911)	(40,911)	-	(40,911)
At 30 September 2009 (Unaudited)		411,143	102,878	(5,941)	567	961,581	1,470,228	250,467	1,720,695

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

Puncak Niaga Holdings Berhad (416087-U)
Unaudited Third Quarterly Financial Statements Ended 30 September 2010
Condensed Consolidated Statement of Cash Flow

	Note	9 months ended 30.9.2010 RM'000 Unaudited	9 months ended 30.9.2009 RM'000 Unaudited
Cash flows from operating activities			
Receipts from customers		1,123,950	1,071,757
Other income		46,569	67,567
Payments to water treatment operators		(310,280)	(334,452)
Payments for operating expenses		(463,885)	(421,138)
Payments to contractors		(12,603)	(29,828)
Net cash generated from operations		<u>383,751</u>	<u>353,905</u>
Net deposits received		19,752	16,943
Interest paid		(141,077)	(167,676)
Tax paid		(23,817)	(16,418)
Interest received		19,936	20,188
Net cash inflow from operating activities		<u>258,545</u>	<u>206,943</u>
Cash flows from investing activities			
Incorporation / acquisition of subsidiaries		-	(5,079)
Purchase of property, plant and equipment		(51,071)	(7,930)
Project development expenditure		(170,479)	(305,197)
Net advance to jointly controlled entities		(600)	(8)
Net advance to associate		-	(1)
Purchase of unquoted investment		(80,000)	-
Proceeds from disposal of property, plant and equipment		544	307
Net cash outflow from investing activities		<u>(301,605)</u>	<u>(317,908)</u>
Cash flows from financing activities			
Proceeds from borrowings		10,439	40,922
Issuance of redeemable cumulative preference shares	A6	131,600	213,800
Dividend paid	A7	(40,911)	(40,911)
Repayment of borrowings		(6,812)	(6,614)
Repayment of hire-purchase payables		(4,457)	(4,347)
Net cash inflow from financing activities		<u>89,859</u>	<u>202,850</u>
Net change in cash & cash equivalents		46,799	91,885
Effects of foreign exchange rate		(923)	(38)
Cash and cash equivalents at beginning of financial year		1,216,532	1,047,471
Transfer (to)/from debt service reserve account		(5,385)	85,412
Deposits held in trust		<u>1,257,023</u>	<u>1,224,730</u>
		<u>(153,551)</u>	<u>(128,599)</u>
Cash and cash equivalents at end of financial period		<u>1,103,472</u>	<u>1,096,131</u>
Cash and cash equivalents comprise:			
Deposits with licensed banks		<u>1,149,524</u>	<u>1,166,140</u>
Cash and bank balances		<u>59,394</u>	<u>58,590</u>
Deposits, cash and bank balances		<u>1,208,918</u>	<u>1,224,730</u>
Add: Short term funds		48,105	-
Less: Deposits held in trust		(153,551)	(128,599)
		<u>1,103,472</u>	<u>1,096,131</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.)

A. EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of preparation and changes in accounting policies

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2009. These explanatory notes attached to the interim financial statements 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 financial year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group are consistent with those adopted in the preparation of financial statements for the financial year ended 31 December 2009, except for the adoption of the following new FRS, Amendments to FRSs and Interpretations with effect from 1 January 2010.

On 1 January 2010, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010:-

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendment to FRS 7	Financial Instruments: Disclosures
Amendment to FRS 8	Operating Segments
Amendment to FRS 107	Statements of Cash Flow
Amendment to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendment to FRS 110	Events After the Reporting Period
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 119	Employee Benefits
Amendment to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 128	Investments in Associates
Amendment to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendment to FRS 131	Interest in Joint Ventures
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
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

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutes will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group.

The adoption of the above standards and interpretations do not have any effect on the financial performance or position of the Group except for those discussed below:

(a) FRS 7: Financial Instruments: Disclosures ("FRS 7")

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's financial statements for the year ending 31 December 2010.

(b) FRS 8: Operating Segments ("FRS 8")

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group has adopted FRS 8 retrospectively. This standard does not have any impact on the financial position and results of the Group.

(c) FRS 101 : Presentation of Financial Statements (revised) ("FRS 101")

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The revised FRS 101 was adopted retrospectively by the Group and the Company.

(d) FRS 123: Borrowing Costs ("FRS 123")

The FRS 123 removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group has applied the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing costs on qualifying assets is on or after the financial period 1 January 2010.

(e) FRS 139: Financial Instruments: Recognition and Measurement ("FRS 139")

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

Impairment of long-term receivables

Prior to the adoption of FRS 139, long-term receivables were recorded at cost. With the adoption of FRS 139, long-term receivables are now recognised initially at their fair values, that is lower than cost. The difference between the fair value and cost of the loan is recognised as an impairment loss. The amount of the loss is the difference between the receivables carrying amount and the present value of the estimated future cash flows discounted at the receivables original effective interest rate. On 1 January 2010, the Group has recognised the allowance for impairment losses as at that date in accordance with FRS139 and the difference is recognised as adjustments to the opening retained earnings as at that date. Interest income is recognised in the income statement using the effective interest method.

The effects of the application of the above new policies are as follows:

Consolidated Statement of Financial Position as at 1 January 2010

	RM'000
Decrease in retained earnings and long-term receivables	<u>46,750</u>

Other investments and short term funds

Prior to 1 January 2010, the Group classified its investment in unit trust funds and fixed income trust funds as financial assets which were held for trading purposes as other investments and short term funds respectively. Such other investments and short term funds were carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, these other investments and short term funds are designated on 1 January 2010 as financial assets at fair value through profit or loss and accordingly are stated at their fair values as at that date. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010. The adoption of this standard does not have any financial impact to the Group.

(f) Amendment to FRS 117: Leases ("FRS 117")

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the building elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy in accordance with the transitional provisions of the Amendments to FRS 117. On 1 January 2010, the Group reassessed the lease classification on the basis of the facts and circumstances existing on that date and recognised certain leasehold land held for own use as property, plant and equipment at their fair values on that date. The difference between such fair values and the unamortised carrying amount as at that date is recognised in retained earnings. The following are effects arising from the above change in accounting policy:

	As previously stated	Adjustment	As restated
	RM'000	RM'000	RM'000
Property, plant and equipment	1,521,346	75,895	1,597,241
Prepaid land lease payments	75,895	(75,895)	-

(g) Amendment to FRS 120 : Accounting for Government Grants and Disclosures of Government Assistance ("FRS 120")

The amendments to FRS 120 removed the exemption to impute interests on government loan at below market interest rate. The difference between the amount received and the present value of estimated cash flows discounted at market interest rate is accounted for as government grants. The amendments have been applied prospectively to government grants received on or after 1 January 2010. During the first quarter of 2010, the Group completed the issuance of redeemable cumulative preference shares ("RPS") to the Minister of Finance, Incorporated ("MOF") at below market interest rate amounting to RM131.6 million as disclosed in Note A6. The Group recognised interest expenses of RM3,143,053 and the portion of the grant of RM1,887,628 as interest income during the current financial year-to-date.

The following FRSs, amendments to FRS, Interpretations and Technical Releases have been issued but are not yet effective and therefore, have not been applied by the Group:-

		Effective for financial periods beginning on or after
FRS 1 (revised)	First-time Adoption of financial Reporting Standards	1 July 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment – Vesting Conditions and Cancellations	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1	Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010

IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 14	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfer of Assets from Customers	1 January 2011
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
TR - 3	Guidance on Disclosure on Transition to IFRSs	31 December 2010
TRi - 4	Shariah Compliant Sale Contracts	1 January 2011

The FRSs, amendments to FRSs, Interpretations and Technical Releases above are expected to have no significant impact on the financial statements of the Group upon their initial application except for the financial impact arising from the adoption of IC Interpretation 12 Service Concession Arrangements. The Group is in the process of assessing the extent of the impact. However, the Group is exempted from disclosing the possible impact to the financial statements upon the initial application of this Interpretation.

A2 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2009 was not qualified.

The Company had engaged its Auditors, Messrs Ernst & Young to conduct limited reviews on its quarterly financial reports as required by Bursa Malaysia Berhad commencing from the second quarter ended 30 June 2010.

A3 Seasonal or cyclical factors

The business of the Group is not subject to seasonal or cyclical fluctuation.

A4 Unusual items due to their nature, size or incidence

There was no item affecting the assets, liabilities, equity, net income or cash flows of the Group that is unusual because of their nature, size or incidence during the current financial quarter and financial year-to-date except for the effects arising from the adoption of FRS 139 as disclosed in Note A1.

A5 Changes in estimates

There were no significant changes in the estimates of the amount reported in the interim periods of the prior financial years that have a material effect in the current financial quarter and financial year-to-date results.

A6 Debt and equity securities

During the current financial year under review, SYABAS had on 26 March 2010 completed the RPS issuance of RM131.6 million by issuing 131.6 million number of RPS of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to the Minister of Finance, Incorporated ("MOF") for a cash consideration of RM131.6 million.

Save as disclosed above, there were no other significant issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current financial quarter and financial year-to-date.

A7 Dividend paid

A final single tier dividend of 10 sen per share, amounting to RM40,910,610 in respect of the financial year ended 31 December 2009 was paid by the Company to the entitled shareholders of the Company on 3 August 2010. (1.1.2009 to 30.9.2009: A final single tier dividend of 10 sen per share amounting to RM40,910,610 in respect of the financial year ended 31 December 2008 was paid on 3 August 2009).

A8 **Segment revenue and results**

The segmental analysis for the Group for the current financial quarter and financial year-to-date are as follows:

a)	Water Distribution RM'000	Water Treatment RM'000	Holding Company RM'000	Others RM'000	Elimination RM'000	Group Total RM'000
Results for 3 months ended 30 September 2010						
Operating Revenue						
Sales to external customers	492,414	-	-	1,536	(666)	493,284
Inter-segment sales	-	161,588	-	-	(161,588)	-
	492,414	161,588	-	1,536	(162,254)	493,284
Other income	24,201	17,878	18,739	13	(24,747)	36,084
	516,615	179,466	18,739	1,549	(187,001)	529,368
Operating expenses	(193,472)	(62,904)	(4,542)	(4,356)	59,242	(206,032)
Share of results of jointly controlled entity	-	-	-	356	-	356
Amortisation and depreciation	(159,177)	(29,743)	(215)	62	52,098	(136,975)
Segment results	163,966	86,819	13,982	(2,389)	(75,661)	186,717
Finance cost						(101,314)
Profit before taxation						85,403
Results for 3 months ended 30 September 2009						
Operating Revenue						
Sales to external customers	488,667	-	-	5,508	-	494,175
Inter-segment sales	-	163,585	-	(245)	(163,340)	-
	488,667	163,585	-	5,263	(163,340)	494,175
Other income	19,844	11,088	17,865	-	(18,627)	30,170
	508,511	174,673	17,865	5,263	(181,967)	524,345
Operating expenses	(197,096)	(57,306)	(881)	(8,225)	56,197	(207,311)
Share of results of jointly controlled entity	-	-	-	(155)	-	(155)
Amortisation and depreciation	(157,158)	(29,867)	(234)	22	55,179	(132,058)
Segment results	154,257	87,500	16,750	(3,095)	(70,591)	184,821
Finance cost						(86,564)
Profit before taxation						98,257

	Water Distribution RM'000	Water Treatment RM'000	Holding Company RM'000	Others RM'000	Elimination RM'000	Group Total RM'000
Results for 9 months ended 30 September 2010						
Operating Revenue						
Sales to external customers	1,434,861	-	-	11,657	(2,208)	1,444,310
Inter-segment sales	-	475,384	-	-	(475,384)	-
	1,434,861	475,384	-	11,657	(477,592)	1,444,310
Other income	61,656	45,105	53,969	22	(69,450)	91,302
	1,496,517	520,489	53,969	11,679	(547,042)	1,535,612
Operating expenses	(590,335)	(181,988)	(11,024)	(18,441)	172,103	(629,685)
Share of results of jointly controlled entity	-	-	-	88	-	88
Amortisation and depreciation	(461,332)	(88,668)	(637)	(42)	154,548	(396,131)
Segment results	444,850	249,833	42,308	(6,716)	(220,391)	509,884
Finance cost						(282,365)
Profit before taxation						227,519
Results for 9 months ended 30 September 2009						
Operating Revenue						
Sales to external customers	1,411,650	-	-	13,891	-	1,425,541
Inter-segment sales	-	497,829	-	6,281	(504,110)	-
	1,411,650	497,829	-	20,172	(504,110)	1,425,541
Other income	62,654	27,088	55,016	2	(57,989)	86,771
	1,474,304	524,917	55,016	20,174	(562,099)	1,512,312
Operating expenses	(564,914)	(170,661)	(2,440)	(27,687)	176,109	(589,593)
Share of results of jointly controlled entity	-	-	-	(175)	-	(175)
Amortisation and depreciation	(455,908)	(89,633)	(459)	(34)	162,593	(383,441)
Segment results	453,482	264,623	52,117	(7,722)	(223,397)	539,103
Finance cost						(252,888)
Profit before taxation						286,215

b)

	Water Distribution RM'000	Water Treatment RM'000	Holding Company RM'000	Others RM'000	Elimination RM'000	Group Total RM'000
Assets and Liabilities As at 30 September 2010						
Investment in associates	-	-	41	-	-	41
Segment assets	7,729,707	2,998,642	1,308,945	26,526	(2,504,085)	9,559,735
	7,729,707	2,998,642	1,308,986	26,526	(2,504,085)	9,559,776
Unallocated assets						651
Total assets						9,560,427
Segment liabilities	6,198,614	1,918,111	357,881	176,392	(1,188,571)	7,462,427
Unallocated liabilities						288,061
Total liabilities						7,750,488
Assets and Liabilities As at 30 September 2009						
Investment in associates	-	-	47	-	(2)	45
Segment assets	6,426,869	2,929,544	1,375,055	43,281	(2,132,574)	8,642,176
	6,426,869	2,929,544	1,375,103	43,281	(2,132,576)	8,642,221
Unallocated assets						2,432
Total assets						8,644,653
Segment liabilities	5,217,316	1,930,749	383,654	166,134	(1,025,010)	6,672,842
Unallocated liabilities						251,116
Total liabilities						6,923,958

A9 Valuation of property, plant and equipment

Property, plant and equipment are stated at cost, which comprise the acquisition cost and any incidental cost arising from the acquisition, less accumulated depreciation and impairment loss. No valuations have been undertaken in the prior years.

A10 Subsequent events

There were no material events subsequent to the end of the current financial quarter that have not been reflected in the financial statements of the Group for the current financial quarter and financial year-to-date. However, there is a material litigation as mentioned in Note B11(g).

A11 Changes in the composition of the Group

- a) The Company had on 28 June 2010, acquired one (1) ordinary share of SGD1.00 each in Puncak Niaga Overseas Capital Pte Ltd (Company Registration No. 201012969Z) ("PNOC Pte Ltd"), representing 100% of the total issued and paid-up share capital of PNOC Pte Ltd at a cash consideration of SGD1.00 only (the "Acquisition").

PNOC Pte Ltd was incorporated on 18 June 2010 as a private company limited by shares in Singapore under the Companies Act, Cap. 50.

With the Acquisition, PNOC Pte Ltd has become a wholly owned subsidiary of the Company on 28 June 2010 and its principal activity will be investment holding with interests in water, wastewater, solid waste, environmental engineering, oil & gas in the Asian countries.

The Acquisition is to facilitate the Group's future expansion plans to pursue business development efforts to secure new businesses in the Asian countries.

- b) Sino Water had invested an additional amount of USD1,120,000 in Luwei (Pingdingshan) Water Co. Ltd ("Luwei Co. Ltd"), its 83% owned limited liability subsidiary incorporated in Lushan County, Henan Province, in the People's Republic of China ("PRC") under the China Company Law.

The Company was notified on 5 August 2010 by Luwei Co. Ltd that the regulatory authorities of the PRC had issued the "Enterprise Legal Representative Business Licence" dated 23 July 2010 approving the increase of the paid up registered capital of Luwei Co. Ltd to USD3,870,000 from USD2,750,000 previously.

Accordingly, Luwei Co. Ltd became a 87.92% owned subsidiary of Sino Water with a total investment totalling USD3,402,500 on 23 July 2010.

The additional investment by Sino Water had thus diluted the equity interest of the minority interest in Luwei Co. Ltd. The dilution has resulted in an additional goodwill on consolidation of RM68,112.

Save as disclosed above, there were no other changes in the composition of the Group during the current financial quarter and financial year-to-date.

A12 Contingent liabilities and contingent assets

As at the date of this report, the Group provided bank guarantees to various parties amounting to RM57,639,738 (31 December 2009: RM70,746,188) in the ordinary course of business.

No contingent assets had arisen since 31 December 2009.

A13 Other material disclosures

- a) **Revenue**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	3 months ended		9 months ended	
	30.9.2010	30.9.2009	30.9.2010	30.9.2009
	RM'000	RM'000	RM'000	RM'000
Supply and distribution of treated water to consumers (Note i)	492,414	488,667	1,434,861	1,411,650
Construction revenue	870	5,508	9,449	13,891
	493,284	494,175	1,444,310	1,425,541

Note

- (i) Included in the water revenue is an amount of RM309.6 million being water tariff compensation for the first, second and third quarters of 2010 (9 months) arising from the delay in water tariff revision. The amount is based on SYABAS Management's best estimate of the water tariff compensation as provided under the terms of the Concession Agreement dated 15 December 2004 ("Concession Agreement") signed between SYABAS, the Federal Government and the State Government of Selangor Darul Ehsan ("Selangor State Government").

(ii) The claim for water tariff compensation had been included as amount owing by the Selangor State Government under Trade Receivables as at 30 September 2010.

(iii) As disclosed in Note B11(g), SYABAS had commenced legal proceedings against the Selangor State Government for the payment of the tariff compensation amounting to RM471,642,916.00 for the period from 1 January 2009 to 31 December 2009.

b) Commitments

	As at 30.9.2010 RM'000
Contracts approved and contracted for	18,586
Commitment under the terms of the Concession Agreement:-	
- Annual charges payment	1,990,500
- Land use charges payment	2,259,032
- Concession fee	24,000
- Contracts approved and contracted for	278,469
	<u>4,570,587</u>

c) Acquisition and disposal of property, plant and equipment

	9 months ended 30.9.2010		Net Book Value
	At cost RM'000	Accumulated Depreciation RM'000	RM'000
Acquisition at cost	63,442	3,748	59,694
Disposal at cost	1,636	825	811

A14 Comparatives

Certain comparatives in the statement of financial position as at 31 December 2009 have been restated to take into account the effects of the adoption of Amendment to FRS 117: Leases as explained in Note A1 (f).

A15 Finalisation of initial provisional accounting estimate

The Group had acquired Luancheng Dayu Water Supply Co. Ltd ("Luancheng Co Ltd") during the financial year ended 31 December 2009 and the acquisition is regarded as business combination in accordance with FRS 3: Business Combinations. The purchase price allocation ("PPA") of the acquisition of Luancheng Co. Ltd was provisional as the PPA exercise had not been carried out. FRS 3: Business Combinations permits the determination of goodwill on a provisional basis and adjustments may be made within 12 months after the acquisition. During the current financial year, the Group had undertaken a PPA exercise in assessing the fair value of identifiable assets and liabilities acquired. The results of the PPA exercise do not require any revision to the provisional fair value of identifiable assets and liabilities as at the date of acquisition.

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1 Review of performance

For the current financial quarter, the Group registered lower revenue of RM493.3 million compared to RM494.2 million reported in the preceding year's corresponding financial quarter, representing a decrease of RM0.9 million or 0.18%.

For the current financial year-to-date, the Group registered higher revenue of RM1,444.3 million compared to RM1,425.5 million reported in the preceding year's corresponding period, representing an increase of RM18.8 million or 1.3%.

The decrease in revenue in the current financial quarter was due to lower construction revenue in respect of water project undertaken by its subsidiary, Puncak Niaga (M) Sdn Bhd ("PNSB"). Despite this decrease, the water revenue for the current financial year-to-date is still higher due to higher water consumption.

The Group reported profit before taxation ("PBT") of RM85.4 million for the current financial quarter compared to RM98.3 million recorded in the preceding year's corresponding quarter, representing a decrease of RM12.9 million.

For the current financial year-to-date, the Group reported lower PBT of RM227.5 million compared to RM286.2 million registered in the preceding year's corresponding period, representing a decrease of RM58.7 million.

The decrease in PBT for the current financial quarter and financial year-to-date was mainly due to higher operating and finance costs.

B2 Comparison of profit before taxation with the immediate preceding financial quarter

The Group reported PBT of RM85.4 million for the current financial quarter compared to PBT of RM64.7 million registered in the immediate preceding financial quarter, representing an increase of RM20.7 million. The lower PBT in the immediate preceding financial quarter was mainly due to some revisions in the estimated tariff compensation upon the finalisation of the 2009 computation.

B3 Prospect

The Group will continue with the existing core business and actively secure new water treatment and distribution projects in various states within Malaysia and overseas, including sourcing for new opportunities in new sectors to increase the shareholders' value of the Company.

B4 Variances from profit forecast and profit guarantee

The disclosure requirements for explanatory notes for variances from profit forecast or profit guarantee are not applicable.

B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 3 months ended 30.9.2010 RM'000	Preceding Year Corresponding Quarter 30.9.2009 RM'000	Current Year ToDate 30.9.2010 RM'000	Preceding Year Corresponding Period 30.9.2009 RM'000
In respect of current period:-				
- income tax	(6,198)	(6,774)	(17,956)	(18,610)
- foreign income tax	(15)	-	(45)	-
- deferred tax	(20,506)	(19,740)	(52,229)	(57,090)
	(26,719)	(26,514)	(70,230)	(75,700)
In respect of prior year:-				
- (under)/over provision of income tax	63	572	3,106	266
- (under)/over provision of deferred tax	(631)	-	3,027	-
	(27,287)	(25,942)	(64,097)	(75,434)

The effective tax rate of the Group for the current financial quarter and financial year-to-date were 31.95% and 28.17% respectively, marginally higher than the statutory tax rate of 25% mainly due to non-deductibility of certain expenses.

B6 Profits/(losses) on sale of unquoted investments and/or properties

There was no sale of unquoted investments and/or properties during the current financial quarter and financial year-to-date.

B7 Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the current financial quarter and financial year-to-date.

B8 Status of corporate proposals announced but not completed

No corporate proposals was announced but not completed prior to the issuance of this interim financial statements.

B9 Borrowings and debt securities

Details of the Group's borrowings and debt securities as at 30 September 2010 are as follows:-

	Current RM'000	Non-current RM'000
Secured		
Bai' Bithaman Ajil Bonds	330,000	687,977
Bai' Bithaman Ajil Medium Term Notes	-	2,035,589
Government Support Loan	7,016	46,748
Redeemable Unconvertible Junior Notes	54,688	272,988
Term Loan	-	659,975
Government Loan	-	320,800
Hire-purchase	4,685	9,289
	396,389	4,033,366
Unsecured		
Redeemable Convertible Unsecured Loan Stocks	-	20,333
Redeemable Unsecured Bonds	-	462,185
Lushan MOF Novated World Bank Loan	-	6,083
	396,389	4,521,967

All borrowings are denominated in Ringgit Malaysia except for Lushan MOF Novated World Bank Loan denominated in United States Dollar ("USD") totalling USD1.97 million.

B10 Off balance sheet financial instruments

As at the latest practicable date prior to the issuance of this interim financial statements, the Group has not entered into any financial instruments with off balance sheet risk.

a) **Konajaya Sdn Bhd ('Konajaya')**

On 2 July 2003, Konajaya filed a suit against Perbadanan Urus Air Selangor Berhad ("PUAS Berhad"). PUAS Berhad called on a bank guarantee and demanded the bank (the issuer of the guarantee) to pay PUAS Berhad a sum of RM4,895,160 being the amount of a bank guarantee associated to a contract. On 12 March 2004, an inter-partes injunction was granted to Konajaya to stop the bank from honouring the bank guarantee.

The Court of Appeal had on 10 November 2008 directed that the Originating Summons be heard and disposed off as the appeal to the Court of Appeal is now academic and hearing the merits of the grant of the interim injunction will not resolve the issue at hand. The parties had been directed to proceed to apply to the High Court for a date for the hearing and final disposal of the Originating Summons.

The High Court had fixed and heard the matter inter-partes on 4 February 2009 as directed by the Court of Appeal for purpose of deciding on the setting-aside or the vacating of the interim injunction order of the High Court dated 12 March 2004 restraining PUAS Berhad from calling on the Bank Guarantee given by Konajaya. The High Court had delivered its decision by awarding a permanent injunction in place of the interim injunction restraining PUAS Berhad from calling on the Guarantee.

Pursuant to the solicitors' advice, PUAS Berhad had instructed its solicitors to file an appeal on the decision of 4 February 2009 and to consolidate this with the previous appeal. The Notice of Appeal had been filed in the Court of Appeal on 25 February 2009 and the Record of Appeal had been filed in the Court of Appeal on 28 April 2009.

The Court of Appeal had on 29 October 2009 dismissed PUAS Berhad's appeals with cost.

PUAS Berhad's application for leave to appeal to the Federal Court against the decision of the Court of Appeal in dismissing PUAS Berhad's appeals with costs and the case management for the second appeal on the declaration in the Originating Summons was fixed for hearing on 5 April 2010. At the hearing on 5 April 2010, PUAS Berhad's application was dismissed with cost of RM15,000.00.

b) **Kris Heavy Engineering & Construction Sdn Bhd ("KHEC")**

1) **The First Arbitration Proceedings**

KHEC, a sub-contractor for the Chennai Water Supply Augmentation Project 1 - Package III ("Chennai Project"), has initially referred certain disputed claims totaling Rs8,44,26,981 (equivalent to approximately RM6.75 million) against PNHB-LANCO-KHEC JV ("the Consortium"), a jointly controlled entity in India of the Company.

Arising from the arbitration proceedings initiated by KHEC, both KHEC and the Consortium have each appointed a qualified civil engineer as their arbitrator respectively, and both arbitrators have selected a retired Judge of the High Court in Chennai, India as the third arbitrator who will also act as the presiding arbitrator of the arbitral tribunal. The arbitral tribunal was officially constituted on 24 September 2005. On 28 September 2005, the Company was informed that the arbitral tribunal has fixed the following dates for the filing of the arbitration cause papers as part of the preliminary procedural formalities:-

- i) claim by the claimant, KHEC to be filed before 4 October 2005;
- ii) rejoinder by the respondent, the Consortium to be filed before 18 November 2005; and
- iii) reply rejoinder by the claimant, KHEC to be filed before 5 December 2005.

The Consortium had on 2 January 2006, filed its counter-claim amounting to Rs13,61,61,931 (equivalent to approximately RM10.89 million) against KHEC's claim of Rs8,44,26,981 (equivalent to approximately RM6.75 million) to the arbitral tribunal in India.

The Statement of Claim lodged by KHEC had subsequently been revised from Rs8,44,26,981 (equivalent to approximately RM6.75 million) to Rs9,84,58,245 (equivalent to approximately RM7.88 million) whilst the counter-claim submitted by the Consortium, had also been revised as per the rejoinder, from Rs13,61,61,931 (equivalent to approximately RM10.89 million) to Rs13,63,39,505 (equivalent to approximately RM10.91 million).

The Company was notified on 4 March 2009 by solicitors acting on behalf of Consortium that the Arbitration Panel had at its meeting held on 26 February 2009 accepted the letter of withdrawal from the Arbitration Panel dated 18 February 2009 from the arbitrator nominated by KHEC. As such, the date for further meeting of the Arbitration Panel was to be communicated after the appointment of the substitute arbitrator to be nominated by KHEC under Section 15(2) of the Arbitration and Conciliation Act, 1996 of India.

The Company was notified on 25 June 2009 that the first sitting of the newly formed Arbitration Panel for the First Arbitration Proceedings comprising the Presiding Arbitrator, the arbitrator nominated by the Consortium and the substitute arbitrator nominated by KHEC was held on 20 June 2009.

Based on legal advice, the Consortium is of the view that the claim by KHEC is not sustainable. The Arbitration proceedings is currently ongoing in India.

2) **The Second Arbitration Proceedings**

KHEC had commenced a second arbitration proceedings against the PNHB-Lanco members of the Consortium ("the Second Arbitration") on the basis of the terms of the Joint Venture Agreement dated 13 February 2003 and the Supplemental Agreement to the Joint Venture Agreement dated 26 March 2003 respectively, entered into between the Company, Lanco Infratech Limited and KHEC whereby KHEC is claiming for loss of profit (inclusive of interest and other cost) amounting to Rs5,44,32,916 (equivalent to approximately RM4.35 million) as they allege that they, despite being a 10% shareowner, received only 4.31% out of the total value of the contract works of the Chennai Project.

The Second Arbitration is being heard by a single arbitrator.

Based on legal advice, PNHB-Lanco members of the Consortium are of the view that it has a good case of defending the claim. The Second Arbitration proceedings is currently ongoing in India.

c) **Konsortium ABASS Sdn Bhd ("Konsortium ABASS")**

High Court Summons No: D-24NCC-41:2009

On 5 October 2009, the solicitors of SYABAS were served with an Originating Summons dated 5 October 2009 ("Originating Summons") from the solicitors acting for Konsortium ABASS on 8 October 2009.

In the Originating Summons, Konsortium ABASS sought for, inter alia, the following :-

- i) A declaration that the Schedule of Bulk Supply Rates ("BSR") as set out in the Table of Appendix 1 of the First Supplemental Agreement dated 10 February 2001 ("First Supplemental Agreement") is to substitute the Schedule of BSR as set out in Table 1 at page 3 of Appendix 5 of the Privatisation Cum Concession Agreement dated 9 December 2000 ("PCCA");
- ii) A declaration that save for the substitution above to Appendix 5 of the PCCA, the Principles on the Bulk Supply Charge Payment Mechanism ("BSC"), the formulas and calculations of BSC by taking into account of any variable costs of chemicals and electricity tariff and any additional costs as set out at pages 1 to 15 of Appendix 5 of the PCCA remain applicable and are valid, binding and effectual between the parties;
- iii) A declaration that the Addendum to the First Supplementary Agreement executed between the Selangor State Government and Konsortium ABASS on 3 July 2008 is valid, binding and effectual between the parties;
- iv) A declaration that SYABAS is liable to pay to Konsortium ABASS the full amount of the invoices relating to electricity cost for the period from June 2006 until December 2008 and that judgement be entered for Konsortium ABASS for the total sum of RM7,410,113.25;
- v) A declaration that SYABAS is liable to pay to Konsortium ABASS the short payment for electricity cost and purchase of water invoices for the period from January 2009 to April 2009 and that judgement be entered for Konsortium ABASS for the total sum of RM55,691,717.73;
- vi) General damages, interest, costs and such further or other order as deemed fit by the Court.

SYABAS' solicitors had, on behalf of SYABAS, filed the Memorandum of Appearance to the Kuala Lumpur High Court on 14 October 2009.

The solicitors of SYABAS had, on 5 November 2009, filed an Affidavit in Reply to the Affidavit filed by Konsortium ABASS in support of their Originating Summons.

SYABAS disputed the amount due and owing in the total sum of RM63,101,830.98 as claimed by Konsortium ABASS in the Originating Summons.

SYABAS had been advised by its solicitors that the claim by Konsortium ABASS is without basis in law and on the facts and have accordingly prayed that the Originating Summons be dismissed with costs.

The High Court had on 7 May 2010 allowed Konsortium ABASS' Originating Summons on the following terms:

- i) Judgment is entered in favour of Konsortium ABASS against SYABAS in the amount of RM70,137,915.21 as at 31 March 2010 with judgment interest at 8% per annum on that amount from the date of judgment to the date of full settlement; and
- ii) SYABAS to pay costs of RM20,000 to Konsortium ABASS.

SYABAS had, on 11 May 2010, filed the Notice of Appeal for the appeal to the Court of Appeal against the decision of the High Court made on 7 May 2010 against SYABAS. The Court of Appeal had on 6 August 2010 allowed SYABAS' appeal with costs of RM20,000 and the Order of the High Court dated 7 May 2010 was set aside. At the mention held on 24 August 2010, the High Court had struck off SYABAS' stay application with no order as to costs since the Court of Appeal had allowed SYABAS' appeal on 6 August 2010.

d) **JAKS-KDEB Consortium Sdn Bhd**

Kuala Lumpur High Court Suit No. D4-22-1452-2006

Both PUAS Berhad and SYABAS had been served with:-

- i) A Writ of Summons and Statement of Claim dated 6 October 2006;
- ii) Ex-Parte Summons-in-Chambers dated 6 October 2006 ("Ex-Parte SIC") and its supporting Affidavit affirmed on 6 October 2006;
- iii) Amended Statement of Claim filed on 18 October 2006; and
- iv) An Ex-Parte Injunction Order dated 18 October 2006 ("Ex-Parte Order");

(hereinafter referred to as "the Suit") in respect of the Suit, by the solicitors of JAKS-KDEB Consortium Sdn Bhd (the "Plaintiff" or "JAKS-KDEB") on 19 October 2006.

JAKS-KDEB had commenced legal action against PUAS Berhad and SYABAS in respect of an agreement dated 25 October 2001 entered into between JAKS-KDEB and the State Government of Selangor ("State Government") pertaining to the supply of pipes and fittings in the State of Selangor Darul Ehsan and the Federal Territories of Kuala Lumpur and Putrajaya.

Vide the Ex-Parte SIC, the Plaintiff prayed for the following:

- i) An order to immediately restrain PUAS Berhad and/or SYABAS whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS Berhad and/or SYABAS and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from purchasing and/or obtaining and/or being given and/or dealing with and/or receiving all its requirements for the pipes (which includes straight pipes whether whole or in cut lengths of any material including but not limited to mild steel pipes) and fittings (which includes tees, bends, tapes, tapers, collars, flange adaptors, blank flanges, mechanical joints and similar accessories) in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya from any other entities except from the Plaintiff until the disposal of the Plaintiff's inter-parte application for an injunction;
- ii) An order to immediately restrain PUAS Berhad and/or SYABAS whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS Berhad and/or SYABAS and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from taking any further steps in supplying and/or dealing with all of the above pipes and fittings and/or including negotiations and/or award of contracts with any other entities arising out of and in connection with the purchasing and/or obtaining and/or being given and/or receiving all of its requirements for pipes and fittings in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya until the disposal of the Plaintiff's inter-parte application for an injunction;
- iii) Costs to be costs in the cause;
- iv) That a date be fixed for the inter-partes hearing of the Plaintiff's application therein within 21 days from the date of the Ex-Parte Order; and
- v) Such further and other relief as the High Court deems fit.

The above prayers were allowed by the High Court on the application of the Plaintiff's Ex-Parte SIC in the absence of PUAS Berhad and SYABAS or their Solicitors being present in High Court on 18 October 2006. The Plaintiff's Ex-Parte Order was effective for a period of twenty-one (21) days from 18 October 2006 until the date of the inter-partes hearing which has been fixed on 7 November 2006.

PUAS Berhad and SYABAS deny and refute all allegations raised by the Plaintiff in the Suit and have instructed their Solicitors to file an application vide Summons in Chambers dated 1 November 2006 to set aside the Ex-Parte Order and to vigorously defend themselves against the Plaintiff's claim on the day of the inter-partes hearing fixed on 7 November 2006.

At the hearing on 7 November 2006 (the "Hearing"), the High Court on the application of the Plaintiff's Solicitors, allowed an adjournment of the Hearing to 17 November 2006 to enable the Plaintiff to prepare a reply affidavit to the affidavit filed by the State Government, the 3rd Defendant to the Suit. Subsequently, the Hearing was adjourned to 20 November 2006.

At the hearing on 20 November 2006, the High Court fixed 22 November 2006 as the date to give its decision on the Inter-Partes application for injunction. The High Court also ordered that no ad-interim order extending the Ex-Parte injunction would be granted for the period from 20 November until 22 November 2006. This means that for this period, SYABAS was free to obtain its pipe supply from any source.

At the hearing on 22 November 2006, the High Court did not grant the injunction order applied for by JAKS-KDEB and instead proceeded to fix a date for the Case Management on 15 January 2007. However, the High Court had postponed the Case Management to 13 February 2007 and subsequently to 22 March 2007.

On 22 March 2007, the High Court fixed the Case Management for mention on 4 April 2007. The application by JAKS-KDEB for Discovery against PUAS Berhad and SYABAS and Inspection of SYABAS Concession Agreement was also heard on 22 March 2007 and a decision was fixed for hearing on 4 April 2007. At the hearing on 4 April 2007, the High Court allowed the application for Discovery by JAKS-KDEB against PUAS Berhad and SYABAS and accordingly, ordered the discovery and inspection of SYABAS Concession Agreement.

Upon consultation with its solicitors on the prospect of filing an appeal, SYABAS has instructed its solicitors to proceed to file an appeal with the Court of Appeal. The appeal was subsequently filed in the Court of Appeal on 3 May 2007. At the hearing on 15 July 2008 at the Court of Appeal, the Court of Appeal has dismissed SYABAS' appeal against the Order for Discovery by the High Court dated 4 April 2007 ordering disclosure of the Concession Agreement with costs. SYABAS had instructed its solicitors not to proceed with further appeal to the Federal Court. The decision was based primarily on the fact that the Federal Government and State Government did not object to the disclosure of the Concession Agreement at the High Court.

At the hearing on 3 October 2007, the High Court had allowed the application to amend the Statement of Defence, with costs and ancillary costs to be borne by PUAS Berhad and SYABAS.

The High Court had subsequently adjourned the matter for Hearing on 30 October 2009 as the 3rd Defendant intends to oppose the Plaintiff's application to amend the Statement of Claim. The Hearing was adjourned to 12 November 2009 to enable the 3rd Defendant to file its Affidavit in Reply to the Plaintiff's Affidavit in Reply. At the Hearing held on 12 November 2009 for the Plaintiff's application to amend the Statement of Claim, the High Court had fixed the matter for decision on 18 November 2009. At the Case Management held on 18 November 2009, the High Court had allowed the Plaintiff's application to amend the Statement of Claim and fixed the matter for further Case Management on 12 January 2010. In response, SYABAS has then filed the Amended Statement of Defence on 22 January 2010 and the matter was fixed for further Case Management on 25 March 2010.

At the Case Management held on 25 March 2010, the High Court adjourned the matter to 5 April 2010 for mention to ascertain whether the matter can proceed by the way of mediation. On 5 April 2010, the High Court had adjourned the matter to 10 May 2010 for Case Management to enable the parties to comply with the High Court's directions and to fix the matter for trial since the parties were not agreeable to mediate. Further Case Management was held on 4 June 2010 and 4 August 2010 and the next Case Management is fixed on 29 September 2010. The High Court had subsequently adjourned the matter for Hearing on 12 October 2010. At the Case Management held on 12 October 2010, the High Court had fixed the trial dates on 16 December 2010, 17 December 2010, 20 January 2011 and 21 January 2011. The oral submissions will be heard on 24 January 2011 and 25 January 2011.

In view of the dissolution of Jabatan Kawalselia Air Selangor ("JKAS") previously being the recipient of the written notification and written report as stated in High Court Order dated 22 November 2006, SYABAS had instructed its solicitors to file an application in the High Court to amend the said Order by replacing JKAS as the recipient with Suruhanjaya Perkhidmatan Air Negara ("SPAN") and the said application which was fixed for Hearing on 20 April 2009 was subsequently postponed to 19 May 2009 and 25 June 2009.

The High Court had on 6 July 2009 fixed the Hearing of the First and Second Defendants' application to amend the High Court Order dated 22 November 2006 to 22 July 2009. The High Court had directed the Plaintiff to file a further Affidavit to state that the Plaintiff intends to add the Selangor State Government in the Order in view that the application is only in respect of amending the entity to SPAN.

On 22 July 2009, the High Court had at the Hearing of the First and Second Defendants' application to amend the High Court Order dated 22 November 2006 allowed the addition of the words "dan/atau Kerajaan Negeri Selangor" to be added in the Order together with the word "SPAN". The addition was requested by the Plaintiff and consented by the Selangor State Legal Advisor, representing the 3rd Defendant.

e) ADP-PJI Joint Venture ("ADP-PJI JV")

On 27 February 2009, PNSB was notified by its solicitors on the Points of Claim dated 25 February 2009 served by ADP-PJI JV on 26 February 2009 for arbitration proceedings against PNSB.

The details of the arbitration are as follows:-

- i) By way of a Letter of Award dated 5 August 2004, PNSB awarded the design, construction, completion and commissioning of a water treatment plant ("the Works") for the "Projek Pembinaan Loji/Kolam Takungan dan Paip Utama Telibong dan Telipok, Sabah" ("Sabah Project") to an unincorporated joint venture known as ADP-PJI JV for a fixed price lump sum of RM65,161,515.01.
- ii) On 26 December 2007, upon the advice of its solicitors, PNSB issued a notice determining the employment of ADP-PJI JV for, inter alia, a failure to proceed regularly and diligently with the Works. ADP-PJI JV disputed the termination and referred the matter to the Superintending Officer ("S.O.") under the contract for a decision. Following the reference to the S.O. for a decision and being dissatisfied with the same, ADP-PJI JV had referred the disputes surrounding the termination of their employment to arbitration.
- iii) ADP-PJI JV via its solicitors had served a Points of Claim dated 25 February 2009 in the arbitration against PNSB via PNSB's solicitors on 26 February 2009.
- iv) The Points of Claim seeks various reliefs arising from the alleged wrongful determination of ADP-PJI JV's employment. ADP-PJI JV is claiming for the sum of RM10,080,201.31 for loss, expense and damages, disruption to progress of employment works, failure to pay the amounts certified and for works completed which have not been certified and other breaches of contract or such other sum as ADP-PJI JV may be found entitled to recover from PNSB arising from the alleged wrongful determination of ADP-PJI JV's employment.
- v) On 27 April 2009, PNSB had served its Points of Defence and Counter Claim in the arbitration stating, among others, that PNSB has rightfully determined the employment of ADP-PJI JV due to ADP-PJI JV's breaches of the contract for the "Projek Pembinaan Loji/Kolam Takungan dan Paip Utama Telibong dan Telipok, Sabah" and the failure to meet the completion date for the Sabah Project.

PNSB's Counter Claim involves amongst others, the additional costs incurred in completing the works for the Sabah Project ("Works"), additional costs in respect of the maintenance obligations, management and staff costs, damages, liquidated or general damages by reason of the delay in completion of the Works and overtime claim by the engineers for the purposes of construction supervision.

- vi) PNSB was notified on 1 June 2009 by its solicitors that the latter had been served with ADP-PJI JV's Reply and Defence to Counterclaim dated 28 May 2009 by the solicitors acting for ADP-PJI JV, which in substance joins issue with PNSB's Points of Defence and Counterclaim dated 27 April 2009 and reiterates ADP-PJI JV's earlier position vide its Points of Claim dated 25 February 2009.
- vii) The Respondent had on 4 November 2010 closed their case and the Arbitrator had directed for written submissions to be filed by the Claimant and Respondent by 29 January 2011 and 1 April 2011 respectively and reply, if any, by 2 May 2011.

f) Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH")

Kuala Lumpur High Court Civil Suit No. D-22NC -398-2009

On 19 November 2009, SYABAS was served with a Writ and Statement of Claim ("Statement of Claim") dated 30 October 2009 from the solicitors acting for SPLASH.

SPLASH's claim is for alleged outstanding amount due and owing in respect of the Supply Charge and Capacity Charge from SYABAS under the Privatisation Agreement dated 24 January 2000, Supplemental Agreement dated 3 February 2005 and the Novation Agreement dated 3 February 2005.

In the Statement of Claim, SPLASH sought for, inter alia, the following: -

- i) The sum of RM196,343,723.99 being payment for the invoices;
- ii) Interest on the sum of RM22,495,131.18 which is the Capacity Charge for the month of October 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 February 2009 until the date of full realisation;
- iii) Interest on the sum of RM23,103,687.43 which is the Capacity Charge for the month of November 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 March 2009 until the date of full realisation;
- iv) Interest on the sum of RM19,387,068.61 which is the Capacity Charge for the month of December 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 April 2009 until the date of full realisation;
- v) Interest on the sum of RM28,283,988.12 which is the Capacity Charge for the month of January 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 May 2009 until the date of full realisation;
- vi) Interest on the sum of RM26,653,975.96 which is the Capacity Charge for the month of February 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 June 2009 until the date of full realisation;
- vii) Interest on the sum of RM27,268,760.61 which is the Capacity Charge for the month of March 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 July 2009 until the date of full realisation;
- viii) Interest on the sum of RM24,797,813.57 which is the Capacity Charge for the month of April 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 August 2009 until the date of full realisation;
- iv) Interest on the sum of RM24,353,298.51 which is the Capacity Charge for the month of May 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 September 2009 until the date of full realisation; and
- x) Costs.

SYABAS had instructed its solicitors to defend the above claims. The solicitors of SYABAS had on 6 January 2010, filed and served SYABAS' Defence to the claim filed by SPLASH dated 30 October 2009. The High Court had on 26 January 2010 fixed the case for mention on 22 February 2010 and for further case management on 25 March 2010 for SPLASH to amend the Statement of Claim. The High Court had on 30 April 2010 allowed the Plaintiff's application to amend their Writ of Summons and Statement of Claim by consent. The solicitors of SYABAS had on 18 May 2010 filed and served the Amended Defence dated 18 May 2010.

On 29 August 2010, the High Court adjourned the hearing to 29 September 2010 and allowed the parties to exchange affidavits in the meantime. At the hearing on 29 September 2010, the High Court postponed the hearing for SPLASH's application under Order 33 Rule 2 for the High Court to determine preliminary issues on the construction of the proportionate payment clauses in the Novation Agreement with SYABAS, to 29 October 2010 whilst SYABAS' application to reamend the Amended Defence was allowed with costs.

At the hearing on 29 October 2010, the High Court had reserved decision of SPLASH's application to 12 November 2010.

SPLASH's application under Order 33 Rule 2 to hear the preliminary issues were allowed by the High Court on 12 November 2010 and the matter is now fixed for Hearing on 10 January 2011.

g) Kerajaan Negeri Selangor ("State Government")

Kuala Lumpur High Court Originating Summons No D-24NCC-388-2010 - SYABAS vs Kerajaan Negeri Selangor

On 10 November 2010, SYABAS has instituted legal proceedings against the Selangor State Government ("State Government") via the filing of an Originating Summons together with Affidavit in Support at the High Court for a sum of RM471,642,916.00 being compensation due to it for the period 1 January 2009 to 31 December 2009 from the State Government under the terms of the Concession Agreement dated 15 December 2004 between SYABAS, the Federal Government and the State Government.

SYABAS had on 18 November 2010 served on the State Government the Originating Summons dated 10 November 2010 together with the Affidavit in Support.

The Court has fixed the Originating Summons for case management on 2 December 2010. In the said Originating Summons, SYABAS is seeking the following relief from the Court:-

- i) A declaration that upon a true construction of the Concession Agreement dated 15 December 2004 between SYABAS, the Federal Government and the State Government, there is a sum of RM471,642,916.00 due and owing from the State Government to SYABAS for the period from 1 January 2009 to 31 December 2009;
- ii) That the State Government do pay the said sum of RM471,642,916.00 to SYABAS forthwith;
- iii) Costs of the action to be paid by the State Government to SYABAS in any event; and
- iv) Such further or other relief or remedy as the Court shall deem just.

This litigation against the State Government does not require any adjustment to the financial statements of the Group for the current financial quarter and financial year-to-date.

Save as disclosed above, there are no other pending material litigations and arbitrations as at the latest practicable date prior to the issuance of this interim financial statements.

B12 Dividend

No dividend has been proposed or declared during the current financial quarter and financial year-to-date under review (1.1.2009 to 30.9.2009: Nil).

B13 Earnings per share ("EPS")

a) Basic EPS

Basic EPS are calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding treasury shares held by the Company.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 3 months ended 30.9.2010	Preceding Year Corresponding Quarter 30.9.2009	Current Year todate 9 months ended 30.9.2010	Preceding Year Corresponding Period 30.9.2009
Net profit attributable to ordinary equity holders of the Company	(RM'000)	37,433	46,745	106,734	138,613
Weighted average number of ordinary shares in issue	('000)	409,106	409,106	409,106	409,106
Basic EPS	(sen)	9.15	11.43	26.09	33.88

b) Diluted EPS

Not applicable.

By Order of the Board

**TAN BEE LIAN (MAICSA 7006285)
LIM YEW HEANG (MAICSA 7007653)
Secretaries**

Shah Alam
25 November 2010