

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2011
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	3 months ended	Period
		31.3.2011	31.3.2010	31.3.2011	31.3.2010
		RM'000	RM'000	RM'000	RM'000
		Unaudited	(Restated)	Unaudited	(Restated)
Revenue	A1(b) A13(a)	546,631	504,951	546,631	504,951
Other income	A1(b)	32,074	26,610	32,074	26,610
Operating costs	A1(b)	(363,487)	(338,160)	(363,487)	(338,160)
Construction contract expenses	A1(b)	(53,671)	(29,805)	(53,671)	(29,805)
Depreciation and amortisation expenses	A1(b)	(41,987)	(41,799)	(41,987)	(41,799)
Profit from operations		119,560	121,797	119,560	121,797
Finance costs	A1(b) & B5	(152,625)	(142,429)	(152,625)	(142,429)
Share of results of associates		-	-	-	-
Share of results of joint venture		(108)	(90)	(108)	(90)
Loss before tax		(33,173)	(20,722)	(33,173)	(20,722)
Taxation:-					
- Income taxation		(7,361)	(5,609)	(7,361)	(5,609)
- Deferred taxation		10,905	17,676	10,905	17,676
	A1(b) & B6	3,544	12,067	3,544	12,067
Loss net of tax	A1(b)	(29,629)	(8,655)	(29,629)	(8,655)
Attributable to:					
Owners of the parent		(8,112)	(8,388)	(8,112)	(8,388)
Non-controlling interest		(21,517)	(267)	(21,517)	(267)
Loss net of tax		(29,629)	(8,655)	(29,629)	(8,655)
		sen	sen	sen	sen
Earnings per share attributable to owners of the parent:					
- basic	B15(a)	(1.98)	(2.05)	(1.98)	(2.09)
- diluted	B15(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 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2011
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		3 months ended	
	31.3.2011	31.3.2010	Re 31.3.2011	31.3.2010
	RM'000	RM'000	RM'000	RM'000
	Unaudited	(Restated)	Unaudited	(Restated)
Note				
Loss net of tax	(29,629)	(8,655)	(29,629)	(8,655)
Other Comprehensive Income / (Loss) :				
Currency translation differences arising from consolidation	(810)	538	(810)	538
Total comprehensive loss for the period	<u>(30,439)</u>	<u>(8,117)</u>	<u>(30,439)</u>	<u>(8,117)</u>
Total comprehensive loss attributable to:				
Owners of the parent	(8,922)	(7,850)	(8,922)	(7,850)
Non-controlling interest	<u>(21,517)</u>	<u>(267)</u>	<u>(21,517)</u>	<u>(267)</u>
	<u>(30,439)</u>	<u>(8,117)</u>	<u>(30,439)</u>	<u>(8,117)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
 Unaudited First Quarterly Financial Statements Ended 31 March 2011
 Condensed Consolidated Statement of Financial Position

	Note	As at 31.3.2011 RM'000 Unaudited	As at 31.12.2010 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant & equipment	A1 (b) & A13 (b)	232,857	244,808
Intangible asset	A1(b) & B10	7,755,235	7,749,446
Financial asset	A1(b)	4,342	2,476
Investment in associates		39	39
Interest in joint venture		5,578	5,635
Debt service reserve account		299,289	297,271
Goodwill		514,732	514,873
Other receivables		287,740	284,707
Deferred tax assets	A1(b)	359,569	348,637
		9,459,381	9,447,892
Current assets			
Short term funds		35	35
Inventories		14,714	16,512
Other current assets		19,791	1,728
Trade receivables		1,195,186	1,104,989
Other receivables		69,029	61,205
Tax recoverable		658	654
Cash and bank balances		1,289,671	1,215,267
		2,589,084	2,400,390
TOTAL ASSETS		12,048,465	11,848,282
EQUITY AND LIABILITIES			
Equity attributable to equity owners of the parent			
Share capital		411,143	411,143
Reserves		(369,625)	(360,703)
Treasury shares		(5,941)	(5,941)
Shareholders' equity		35,577	44,499
Non-controlling interest		(5,695)	15,822
Total equity		29,882	60,321
Non-current liabilities			
Loans and borrowings	B11	4,083,316	4,075,292
Redeemable cumulative preference shares		606,719	605,212
Long-term payables		9,795	9,795
Concession liabilities		4,022,334	4,330,649
Government grant	A1(b)	253,422	256,482
		8,975,586	9,277,430
Current liabilities			
Loans and borrowings	B11	817,284	806,460
Other current liabilities		6,449	3,560
Trade and other payables		1,876,895	1,686,355
Concession liabilities		329,000	-
Tax payable		13,369	14,156
		3,042,997	2,510,531
Total liabilities		12,018,583	11,787,961
TOTAL EQUITY AND LIABILITIES		12,048,465	11,848,282
Net assets per share attributable to owners of the parent (RM)		0.09	0.11

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
 Unaudited First Quarterly Financial Statements Ended 31 March 2011
Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the parent										
	Note	Non-distributable					Distributable				
		Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Exchange Reserves RM'000	Retained Earnings / Accumulated Losses RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000		
3 months period ended 31 March 2011											
At 1 January 2011 (as previously stated)		411,143	102,879	(5,941)	(3,837)	997,188	1,501,432	334,755	1,836,187		
- Effects of adoption IC 12	A1(b)	-	-	-	-	(1,456,933)	(1,456,933)	(318,933)	(1,775,866)		
At 1 January 2011 (as restated)		411,143	102,879	(5,941)	(3,837)	(459,745)	44,499	15,822	60,321		
Total comprehensive loss for the period		-	-	-	(810)	(8,112)	(8,922)	(21,517)	(30,439)		
At 31 March 2011 (Unaudited)		411,143	102,879	(5,941)	(4,647)	(467,857)	35,577	(5,695)	29,882		
3 months period ended 31 March 2010											
At 1 January 2010 (as previously restated)		411,143	102,879	(5,941)	384	965,337	1,473,802	264,842	1,738,644		
- Effects of adoption FRS 139		-	-	-	-	(46,750)	(46,750)	-	(46,750)		
- Effects of adoption IC 12		-	-	-	-	(1,235,387)	(1,235,387)	(248,180)	(1,483,567)		
At 1 January 2010 (as restated)		411,143	102,879	(5,941)	384	(316,800)	191,665	16,662	208,327		
Total comprehensive loss for the period		-	-	-	538	(8,388)	(7,850)	(267)	(8,117)		
At 31 March 2010 (Unaudited) (Restated)		411,143	102,879	(5,941)	922	(325,188)	183,815	16,395	200,210		

(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 2010 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2011
Condensed Consolidated Statement of Cash Flows

	3 months ended 31.03.2011 RM'000 Unaudited	3 months ended 31.03.2010 RM'000 Restated
Cash flows from operating activities		
Receipts from customers	391,462	374,209
Other income	15,455	15,557
Payments to water treatment operators	(67,431)	(68,511)
Payment to concession liabilities	(34,297)	(34,297)
Payments for operating expenses	(147,119)	(131,249)
Payments to contractors	(11,999)	(8,956)
Net cash generated from operations	<u>146,071</u>	<u>146,753</u>
Net deposits received	4,478	4,400
Interest paid	(33,582)	(33,273)
Tax paid	(8,146)	(7,368)
Interest received	8,332	6,560
Net cash inflow from operating activities	<u>117,153</u>	<u>117,072</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,159)	(20,482)
Project development expenditure	(35,867)	(67,916)
Net advance to joint venture	(51)	(134)
Purchase of unquoted investment	-	(80,000)
Proceeds from disposal of property, plant and equipment	-	126
Net cash outflow from investing activities	<u>(41,077)</u>	<u>(168,406)</u>
Cash flows from financing activities		
Proceeds from loans and borrowings	1,688	141,658
Repayment of hire-purchase expenses	(1,207)	(1,408)
Net cash inflow from financing activities	<u>481</u>	<u>140,250</u>
Net increase in cash & cash equivalents	76,557	88,916
Effects of foreign exchange rate	(135)	(499)
Cash and cash equivalents at beginning of financial period	1,215,301	1,216,532
Transfer to debt service reserve account	(2,017)	(1,772)
Deposits held in trust	1,289,706	1,303,177
	(170,025)	(148,563)
Cash and cash equivalents at end of financial period	<u>1,119,681</u>	<u>1,154,614</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks	526,390	1,171,743
Cash and bank balances	763,281	83,699
	<u>1,289,671</u>	<u>1,255,442</u>
Add: Short term funds	35	47,735
Less: Deposits held in trust	(170,025)	(148,563)
	<u>1,119,681</u>	<u>1,154,614</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 2010 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 2010. 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 2010. However, with the application of IC Interpretation 12 Service Concession Arrangements, the comparatives have been restated as the IC Interpretation 12 is required to be adopted retrospectively.

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 2010, except for the adoption of the following new FRS, Amendments to FRSs and Interpretations with effect from 1 January 2011.

On 1 January 2011, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011:-

Amendments to FRS 132:	Classification of Rights Issues
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Improvements to FRS issued in 2010	
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfer of Assets from Customers

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:

IC Interpretation 12 Service Concession Arrangements

- a) IC Interpretation 12 applies to service concession operators and explains how to account for obligations undertaken and rights received in service concession arrangements. With the adoption of IC Interpretation 12, the Group's shareholder's equity has decreased substantially to RM35.6 million (31.12.2010: RM1,501.4 million). The substantial decrease in shareholder's equity is primarily due to the adoption of new accounting treatment under IC Interpretation 12 whereby the entire present value of the Annual Charges and Land Use Charges and Fixed Capacity Charges which are payable by the Group's 70% subsidiary, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") to the State Government of Selangor Darul Ehsan ("Selangor State Government") and water treatment operators respectively, during the tenure of the concession are now required to be capitalised as intangible assets and subject to amortisation. A corresponding amount will be credited as concession liability and subject to notional interest which is charged to the income statement. The adoption of IC Interpretation 12 is required to be adopted retrospectively as described in Note A14 below and thus, had resulted in the substantial decrease in the shareholder's equity. However, there is no change to the business operations and cash flow of the Group.

- b) The Group amortises its intangible asset contained in the concession arrangement by reference to revenue method over the concession period, consistent with the method adopted for the annual financial statements for the financial year ended 31 December 2010. During the quarter, it has come to the knowledge of the Group that there are differing views regarding the appropriateness of certain methods in amortising intangible asset contained in an concession arrangement, and the deliberation within the accounting profession in Malaysia over this matter is currently ongoing. Pending the finalisation of any consensus by the accounting profession over this matter, the Group continues to amortise its intangible asset contained in the concession arrangement by reference to revenue method. The Group will continue to monitor the progress and outcome of the ongoing deliberation, and will review the existing amortisation method should such need arise.

The Group's results before and after adoption of IC Interpretation 12 are as below:

	Period ended 31 March 2011		
	Before IC 12 RM'000	IC 12 Impact RM'000	After IC 12 RM'000
INCOME STATEMENTS			
Revenue	515,912	30,719	546,631
Other income	30,631	1,444	32,074
Operating costs	(214,257)	(149,230)	(363,487)
Construction contract expenses	(25,469)	(28,202)	(53,671)
Depreciation and amortisation expenses	(133,218)	91,231	(41,987)
Finance costs	(97,793)	(54,833)	(152,625)
Taxation	(20,668)	24,212	3,544
Profit / (Loss) for the period	55,138	(84,767)	(29,629)
		31 March 2011	
	Before IC 12 RM'000	IC 12 Impact RM'000	After IC 12 RM'000
STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Property, plant & equipment	1,600,085	(1,367,229)	232,857
Project development expenditure	4,637,293	(4,637,293)	-
Intangible asset	-	7,755,235	7,755,235
Financial asset	-	4,342	4,342
Deferred tax assets	-	359,569	359,569
Non-current liabilities			
Deferred tax liabilities	293,762	(293,762)	-
Concession liabilities	-	4,022,334	4,022,334
Government grant	287,211	(33,790)	253,422
Shareholders' equity			
Retained earnings :			
Brought forward	997,188	(1,456,933)	(459,745)
Profit / (Loss) for the year	39,524	(47,636)	(8,112)
Carried forward	1,036,712	(1,504,569)	(467,857)
Non-controlling interest	351,939	(357,634)	(5,695)

FRS 127 Consolidated and Separate Financial Statements (Revised)

FRS 127 - Consolidated and Separate Financial Statement (Revised) requires the total comprehensive income to be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
TR i - 4	Shariah Compliant Sale Contracts	1 January 2011
FRS 124	Related Party Disclosures (Revised)	1 January 2012
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012

A2 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 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 IC Interpretation 12 Service Concession Arrangements 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 except for the effects arising from the adoption of IC Interpretation 12 Service Concession Arrangements as disclosed in Note A1.

A6 Debt and equity securities

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

There was no dividend paid during the current financial quarter and financial year-to-date (1.1.2011 to 31.3.2011: Nil).

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 31 March 2011						
Operating Revenue						
Sales to external customers	486,975	-	-	59,656	-	546,631
Inter-segment sales	-	130,439	-	144	(130,583)	-
	486,975	130,439	-	59,800	(130,583)	546,631
Other income	23,076	33,035	17,211	49	(41,297)	32,074
	510,051	163,474	17,211	59,849	(171,880)	578,705
Operating expenses	(454,149)	(89,200)	(2,411)	(5,222)	133,824	(417,158)
Share of results of joint venture	-	-	-	(108)	-	(108)
Amortisation and depreciation	(38,146)	(3,521)	(214)	(106)	-	(41,987)
Segment results	17,756	70,753	14,586	54,413	(38,056)	119,452
Finance cost						(152,625)
Loss before taxation						(33,173)
Results for 3 months ended 31 March 2010 (Restated)						
Operating Revenue						
Sales to external customers	472,699	-	-	32,252	-	504,951
Inter-segment sales	-	125,198	-	225	(125,423)	-
	472,699	125,198	-	32,477	(125,423)	504,951
Other income	20,833	20,564	17,258	30	(32,075)	26,610
	493,532	145,762	17,258	32,507	(157,498)	531,561
Operating expenses	(430,920)	(60,874)	(4,611)	23,200	105,240	(367,965)
Share of results of joint venture	-	-	-	(90)	-	(90)
Amortisation and depreciation	(38,283)	(3,221)	(211)	(84)	-	(41,799)
Segment results	24,329	81,667	12,436	55,533	(52,258)	121,707
Finance cost						(142,429)
Loss before taxation						(20,722)

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 31 March 2011						
Investment in associates	-	-	39	-	-	39
Segment assets	9,848,916	3,019,068	1,282,495	32,054	(2,494,336)	11,688,197
	9,848,916	3,019,068	1,282,534	32,054	(2,494,336)	11,688,236
Unallocated assets						360,229
Total assets						12,048,465
Segment liabilities	11,945,580	1,898,323	327,354	180,819	(2,346,861)	12,005,215
Unallocated liabilities						13,368
Total liabilities						12,018,583
Assets and Liabilities As at 31 March 2010 (Restated)						
Investment in associates	-	-	43	-	-	43
Segment assets	9,348,293	2,854,263	1,342,025	41,625	(2,220,867)	11,365,339
	9,348,293	2,854,263	1,342,068	41,625	(2,220,867)	11,365,382
Unallocated assets						302,718
Total assets						11,668,100
Segment liabilities	11,095,797	1,903,142	351,014	178,785	(2,069,105)	11,459,633
Unallocated liabilities						24,817
Total liabilities						11,484,450

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

- a) On 6 April 2011, Malaysian Rating Corporation Berhad ("MARC") had taken various rating actions on the Selangor water sector issuers, including the rating actions against the Company and its wholly owned and 70% owned subsidiaries, namely Puncak Niaga (M) Sdn Bhd ("PNSB") and Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") respectively (the Company, PNSB and SYABAS to be hereinafter collectively referred to as the "Group") which had resulted in the following changes to the ratings for the Group's debt:-

Issuer	Issue	Previous Rating	Current Rating	Minimum Rating in trust deeds
The Company	RM546.88 million Redeemable, Secured, Coupon Bearing Notes 2001/2016 ("RUNS")	A-	BB+	BBB-
PNSB	RM1.02 billion Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")	A+	BBB	A-
	RM546.88 million Redeemable Unsecured Coupon Bearing Notes 2001/2016 ("A Notes")	A-	BB+	N/A
	RM435.0 million Redeemable Unsecured Bonds ("RUB")	A-	BB+	BBB-
SYABAS	RM3.0 billion Bai Bithaman Ajil Medium Term Notes ("BBA MTN")	A+	BBB	N/A

The rating actions by MARC had resulted in the rating of some of the Group's debt to fall below the minimum rating under their respective trust deeds. While the current rating prevails, an Event of Default (as defined in the respective trust deeds) exists on some of the Group's debt wherein the revised rating is below the minimum level. If allowed to remain, further action (if any) by the respective bondholders could result in a default on the Group's debt obligations.

The Management of the Group had upon consultation with its legal counsel and certain major bondholders of the Group, decided to call for the respective bondholders meeting of the Company and PNSB to seek for certain waivers from the bondholders to address the current situation. The notices of meetings were sent to the bondholders for the respective bondholders meetings to be held in early May 2011 and the relevant approvals were subsequently obtained from the bondholders at the said meetings.

As at to date, there is no default in the Group's borrowing obligations as the respective companies of the Group are still servicing their coupon payment and interest payments.

- b) Puncak Oil & Gas Sdn Bhd ("POG"), a wholly owned subsidiary of the Company, had on 23 May 2011 entered into two (2) separate Sale and Purchase Agreements with Global International Vessels Ltd ("GIVL"), a company incorporated in Cayman Islands for the acquisition of 40% equity interest in Global Offshore (Malaysia) Sdn Bhd ("GOM") ("GOM SPA") and KGL Ltd ("KGL") ("KGL SPA") respectively represented by 300,000 ordinary shares of RM1.00 each in GOM and 80,000 ordinary shares of USD1.00 each in KGL for a cash consideration of USD8,400,000.00 (equivalent to approximately RM25,200,000) and USD15,200,000.00 (equivalent to approximately RM45,600,000) respectively ("Acquisition").

Under the GOM-Global Asia Pacific Industries Sdn Bhd ("GAPI") Option, GOM-GIVL Option and KGL_GIVL Option respectively, POG shall have a call option to purchase the remaining sixty percent (60%) of the equity interest in GOM from GAPI and GIVL and in KGL from GIVL, respectively (the "60% Shares"), within one (1) year from the completion of POG's acquisition of the 40% Shares ("POG Call Option Period") at the same price per share as the 40% Shares, which in total amount to United States Dollars Thirty Five Million Four Hundred Thousand only (USD35,400,000) (equivalent to approximately RM106.2 million).

- c) The Company via a 40 : 60 unincorporated joint venture with Quality Concrete Holdings Berhad, namely "Konsortium Puncak Niaga Holdings Bhd – Quality Concrete" had on 23 May 2011 signed a contract for "Rural Water Supply Project In The State Of Sarawak For Years 2010 To 2012" with the Government of Malaysia ("Contract") at a contract sum of RM667,320,000. The Contract is expected to contribute positively to the earnings and net assets per share of Puncak Group for the financial year ending 31 December 2011.

- d) The Company had on 19 April 2011 acquired a 55% stake in Reputable Collection Sdn Bhd (Company No. 927127-M) ("RCSB") via a subscription of fifty five (55) new ordinary shares of RM1.00 each in RCSB for a total cash consideration of Ringgit Malaysia Fifty Five (RM55.00) only thereby resulting in RCSB becoming a 55% owned subsidiary of the Company on 19 April 2011. RCSB was incorporated on 27 December 2010.

Concurrently, RCSB had acquired a 62.5% stake in Jalinan Handal Sdn Bhd (Company No. 939200-M) ("JHSB") via a subscription of six hundred and twenty five (625) new ordinary shares of RM1.00 each in JHSB for a total cash consideration of Ringgit Malaysia Six Hundred And Twenty Five (RM625.00) only thereby resulting in JHSB becoming a sub-subsidiary of the Company on 19 April 2011. JHSB was incorporated on 5 April 2011.

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 are material litigations as mentioned in Note B13 (e) below.

A11 Changes in the composition of the Group

There were no 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 RM85,267,691 (31 December 2010: RM98,750,951) in the ordinary course of business.

No contingent assets had arisen since 31 December 2010.

A13 Other material disclosures

a) Revenue

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 3 months ended 31.3.2011 RM'000	Preceding Year Corresponding Quarter 31.3.2010 RM'000	Current Year To date 3 months ended 31.3.2011 RM'000	Preceding Year Corresponding Period 31.3.2010 RM'000
Supply and distribution of treated water to consumers (Note i)	486,975	472,699	486,975	472,699
Construction revenue	59,656	32,252	59,656	32,252
	<u>546,631</u>	<u>504,951</u>	<u>546,631</u>	<u>504,951</u>

Note

- (i) Included in the water revenue is an amount of RM109.2 million being water tariff compensation for the first quarter of 2011 (3 months) (2010 : RM109.0 million) 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 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 31 March 2011.
- (iii) As disclosed in Note B13 (e), 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) Acquisition and disposal of property, plant and equipment

	3 months ended 31.3.2011		
	At cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Acquisition at cost	5,159	511	4,648
Disposal at cost	-	-	-

A14 Prior Year Adjustments

Certain comparatives in the income statements and statement of financial position for prior quarters have been restated to take into account the effects of the adoption of IC Interpretation 12 Service Concession Arrangements as explained in Note A1. The adoption of IC Interpretation 12 is required to be adopted retrospectively.

	Period ended 31 March 2010		
	Previously reported RM'000	IC 12 Impact RM'000	Restated RM'000
INCOME STATEMENTS			
Revenue	478,359	26,592	504,951
Other income	27,567	(957)	26,610
Operating costs	(208,234)	(129,926)	(338,160)
Construction contract expenses	(5,368)	(24,437)	(29,805)
Depreciation and amortisation expenses	(127,946)	86,147	(41,799)
Finance costs	(86,865)	(55,564)	(142,429)
Taxation	(20,196)	32,263	12,067
Profit / (Loss) for the period	57,227	(65,882)	(8,655)
	Previously reported RM'000	31 December 2010 IC 12 Impact RM'000	Restated RM'000
STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Property, plant & equipment	1,609,713	(1,364,905)	244,808
Project development expenditure	4,497,424	(4,497,424)	-
Intangible asset	-	7,749,446	7,749,446
Financial asset	-	2,476	2,476
Deferred tax assets	-	348,637	348,637
Non-current liabilities			
Deferred tax liabilities	280,434	(280,434)	-
Concession liabilities	-	4,330,649	4,330,649
Government grant	288,870	(32,388)	256,482
Shareholders' equity			
Retained earnings :			
Brought forward	918,587	(1,235,387)	(316,800)
Profit for the year	78,601	(221,546)	(142,945)
Carried forward	997,188	(1,456,933)	(459,745)
Non-controlling interest	334,755	(318,933)	15,822

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 and financial year-to-date, the Group registered higher revenue of RM546.6 million compared to RM504.9 million (restated) reported in the preceding year's corresponding financial quarter, representing an increase of RM41.7 million or 8.3%.

The increase in revenue in the current financial quarter and current financial year-to-date is due to higher water consumption and construction revenue.

The Group reported loss before taxation ("LBT") of RM33.2 million for the current financial quarter and financial year-to-date compared to RM20.7 million (restated) recorded in the preceding year's corresponding quarter, representing an increase of RM12.5 million.

The increase in LBT for the current financial quarter as compared to preceding year's corresponding financial quarter was mainly due to higher operating costs and finance costs incurred.

With the adoption of IC Interpretation 12, the Group has reported a loss after taxation of RM29.6 million for the quarter ended 31 March 2011 mainly due to higher operating cost as a result of higher allocation of water purchasing cost to the income statement, and higher finance cost as a result of notional interest arising from the notional concession liability as mentioned in Note A1(a) above.

Despite the loss, the Group's business viability and cash flow profile of its water concession business is not affected as the new accounting treatment under the IC Interpretation 12 as explained above, does not result in additional utilisation of cash resources. There is also no impact of the adoption of IC Interpretation 12 which has resulted in respective companies of the Group breaching the covenants of their borrowings.

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

The Group reported LBT of RM33.2 million for the current financial quarter compared to LBT of RM85.1 million (restated) registered in the immediate preceding financial quarter, representing a decrease of RM51.9 million. The lower LBT in the current financial quarter was mainly due to higher water consumption and lower operating costs in the current financial quarter.

B3 Prospect

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

The acquisition of 40% equity interest in Global Offshore (Malaysia) Sdn Bhd ("GOM") and KLG Ltd ("KGL") respectively on 23 May 2011 by POG will enable the Group to make further forays into the oil and gas industry which the Group has identified as a sector that it intends to strengthen its presence and emerge as a significant player.

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 Finance Costs

Included in the finance costs is the notional interest of RM53.0 million (31.3.2010 : RM55.5 million) arising from the adoption of IC Interpretation 12. Correspondingly, the accumulated notional interest costs arising from adoption of IC Interpretation 12 is RM1,335.2 million recorded in the accumulated losses.

B6 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	3 months ended		3 months ended	
	31.03.2011	31.3.2010	31.03.2011	31.3.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current year:-				
- income tax	(7,339)	(5,788)	(7,339)	(5,788)
- foreign income tax	(8)	(87)	(8)	(87)
- deferred tax	10,905	17,676	10,905	17,676
	<u>3,558</u>	<u>11,801</u>	<u>3,558</u>	<u>11,801</u>
In respect of prior year:-				
- (under)/over provision of income tax	(14)	266	(14)	266
	<u>3,544</u>	<u>12,067</u>	<u>3,544</u>	<u>12,067</u>

The effective tax rate of the Group for the current financial quarter and financial year-to-date was 10.7%, lower than the statutory tax rate of 25% mainly due to the recognition of deferred tax assets arising from the of adoption of IC Interpretation 12.

B7 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.

B8 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.

B9 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.

B10 Intangible assets

Included in the intangible assets are the annual charge and land use charge, fixed capacity charge and past concession infrastructure works less amortisation.

B11 Loans and Borrowings

Details of the Group's borrowings and debt securities as at 31 March 2011 are as follows:-

	Current RM'000	Non-current RM'000
Secured		
Bai' Bithaman Ajil Bonds	510,000	506,328
Bai' Bithaman Ajil Medium Term Notes	-	2,040,849
Government Support Loan	7,016	46,748
Redeemable Unconvertible Junior Notes	296,045	-
Term Loan	-	659,975
Government Loan	-	320,800
Obligation under finance leases	4,223	9,299
	<u>817,284</u>	<u>3,583,999</u>
Unsecured		
Redeemable Convertible Unsecured Loan Stocks	-	21,135
Redeemable Unsecured Bonds	-	471,474
Lushan MOF Novated World Bank Loan	-	6,708
	<u>817,284</u>	<u>4,083,316</u>

All borrowings are denominated in Ringgit Malaysia except for Lushan MOF Novated World Bank Loan which are denominated in United States Dollar ("USD") totalling USD2.21 million.

B12 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.

B13 Material litigation

a) 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.

b) **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.

At the hearing on 17 December 2010, the High Court had vacated the trial date on 20 January 2011 and fixed new trial dates on 28 March 2011 to 31 March 2011. The trial date fixed on 21 January 2011 and the oral submissions dates fixed on 24 January 2011 and 25 January 2011 remain unchanged.

At the trial held on 21 January 2011, the High Court had vacated the dates previously fixed for the oral submissions on 24 January 2011 and 25 January 2011 and fixed additional dates for continued trials on 24 January 2011, 25 January 2011 and 26 January 2011. The trial dates previously fixed on 28 March 2011 to 31 March 2011 remain unchanged. At the Trial held on 28 March 2011, the Court had vacated the dates on 30 March 2011 and 31 March 2011. The Trial dates on 28 March 2011 and 29 March 2011 remain unchanged. The matter has been fixed for further full trial on 5 May 2011, 6 May 2011 and 20 May 2011 and further on 8 June 2011, 9 June 2011 and 10 June 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.

c) 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.
 - viii) The Arbitrator had subsequently allowed PNSB's solicitors to file in their written submission by 3 May 2011 and correspondingly, ADP-PJI JV's solicitors is required to submit their reply by 3 June 2011.
 - ix) The Respondent's written submission had been filed with the Arbitrator on 3 May 2011.
- d) **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 was fixed for Hearing on 10 January 2011.

At the hearing held on 29 November 2010 of the Plaintiff's application to reamend the Amended Writ of Summons and the Statement of Claim, the High Court has fixed the matter for decision on 3 December 2010. The hearing date of the Writ of Summons and the preliminary issues under SYABAS' application under Order 33 Rule 2 which was originally fixed on 10 January 2011 has been vacated and the matter was fixed for hearing on 7 January 2011. The solicitors of SYABAS had filed a notice of appeal against the decision of the High Court dated 12 November 2010 which allowed SPLASH's Application under Order 33 Rule 2 for the preliminary issues to be heard. At the hearing on 3 December 2010, the High Court had allowed the Application by the Plaintiff to reamend the Amended Statement of Claim and the matter was fixed for hearing on 7 January 2011.

At the hearing held on 7 January 2011 on the Writ of Summons and preliminary issues (Order 33 Rule 2 of the High Court), the High Court had fixed the matter for decision on 16 February 2011 and subsequently fixed for decision on 21 February 2011. The Court of Appeal had fixed the appeal for case management on 17 February 2011. The case management originally fixed on 17 February 2011 by the Court of Appeal for the appeal had been postponed to be fixed on 25 February 2011 upon application by SYABAS' solicitors pending decision by the High Court on the plaintiff's claim which had been fixed on 21 February 2011.

The SYABAS' appeal against the Order of the High Court on the Plaintiff's application pursuant to Order 33 of the Rules of the High Court 1980 for the hearing of the preliminary issues had been fixed for Case Management on 22 March 2011. The High Court had brought forward the hearing date of the oral application for stay of the order pending appeal from 6 April 2011 to 29 March 2011. SYABAS' appeal against the Order of the High Court on the Plaintiff's application pursuant to Order 33 of the Rules of the High Court 1980 had been adjourned to 5 April 2011.

At the hearing of SYABAS' application for a stay of execution of the Order of the High Court dated 21 February 2011 ("Order") on 29 March 2011, the High Court extended the order for stay of execution of the Order (excluding the taking of accounts) until the disposal of the appeal. SPLASH was granted liberty by consent to apply to set aside the stay should there be any delay in the disposal of the appeal beyond 7 May 2011. The stay of execution does not prevent SPLASH from applying for accounts of all payments due before the Registrar as there is no stay of the proceedings.

The High Court had 21 February 2011 declared that SYABAS must pay in full and not proportionately and subsequently ordered an account of all payments due to SPLASH in respect of invoices issued after the date of the writ to be taken before the Deputy Registrar of the New Commercial Court on a date to be fixed. The High Court had ordered SYABAS to pay lump sum costs of RM30,000.00 in respect of the Reamended Writ of Summons and the Statement of Claim in lieu of taxation to the plaintiff and also granted SYABAS an interim stay on enforcement of the Judgement until 6 April 2011 pending full argument on stay on merits. The solicitors of SYABAS had filed a Notice of Appeal on 22 February 2011 at the Court of Appeal against the Decision of the High Court dated 21 February 2011.

The matter which came up for Case Management on 25 February 2011 at the Court of Appeal, was fixed for further Case Management on 22 March 2011, pending the filing of the Records of Appeal for the appeal dated 22 February 2011 against the Decision of the High Court dated 21 February 2011. The appeal against the Decision of the High Court on 21 February 2011 fixed for Case Management on 29 March 2011 was subsequently adjourned to 5 April 2011. The Court of Appeal had fixed the hearing of SYABAS' appeals against the Orders of the Rules of High Court and the decision of the High Court on 21 February 2011, on 30 May 2011 and the written submissions to be filed by 16 May 2011. The written submissions date has changed from 16 May 2011 to 14 June 2011.

The earlier hearing date fixed on 30 May 2011 has been vacated.

On 27 May 2011, a sealed copy of the Plaintiff's Summons in Chambers for the hearing of the taking of the accounts pursuant to the Decision of the High Court dated 21 February 2011 was served on Syabas's solicitors and the matter is fixed for hearing on 9 June 2011.

e) **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 Kerajaan Negeri Selangor ("State Government") at the High Court in Kuala Lumpur vide Originating Summons No: D-24NCC-388-2010 which was supported by an affidavit in support dated 9 November 2010. In the said Originating Summons, SYABAS is seeking the following relief:-

- i) A declaration that upon a true construction of the Concession Agreement dated 15 December 2004, 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 upon making of this Order;
- 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.

On 18 November 2010, the Originating Summons and the affidavit in support were served on the State Government. On 25 November 2010, the State Government's solicitors entered appearance on behalf of the State Government. The matter came up for case management on 2 December 2010 where the High Court allowed the State Government's solicitors' request for a 2 week extension of time to file the State Government's affidavit in reply and thereafter adjourned the matter for further case management on 16 December 2010. On the case management date 16 December 2010, the State Government's affidavit in reply dated 15 December 2010 was served on SYABAS' solicitors. The High Court then directed SYABAS to file its affidavit in reply by 31 December 2010 and further fixed the matter for Hearing on 11 February 2011. The High Court also directed parties to file their respective submissions by 8 February 2011. The High Court also informed that parties may agree between themselves any extension of time for filing of affidavits provided that the hearing date is not affected. In this regard, the State Government's solicitors agreed to SYABAS filing the affidavit in reply by 10 January 2011.

On 10 January 2011, SYABAS' solicitors filed SYABAS' affidavit in reply dated 10 January 2011 in the High Court and served a copy of the same on the State Government's solicitors. On 24 January 2011, the State Government's affidavit in reply dated 24 January 2011 was served on SYABAS' solicitors. On 2 February 2011, SYABAS' solicitors filed SYABAS' affidavit (3) dated 28 January 2011 in the High Court and served a copy of the same on the State Government's solicitors. On 7 February 2011, the State Government's solicitors served on SYABAS' solicitors a summons in chambers dated 7 February 2011 ("State Government's application") for inter alia, an Order to convert the Originating Summons into a writ action or alternatively that the State Government be given leave to cross-examine the deponent of SYABAS' affidavits, which was fixed for hearing on 11 February 2011. On 8 February 2011, SYABAS' solicitors filed the written submission for the Originating Summons. On 10 February 2011, SYABAS' solicitors filed SYABAS' affidavit dated 10 February 2011 in Court and served a copy of the same on the State Government's solicitors to oppose the State Government's application. On 23 February 2011, the State Government filed their Affidavit in Reply dated 23 February 2011 and served a copy of the same on Syabas' solicitors, in reply to Syabas' Affidavit dated 10 February 2011 in relation to the State Government's application.

On 11 February 2011, the High Court decided to hear the State Government's application first and fixed it for clarification/decision on 28 February 2011. As for the Originating Summons, the High Court fixed the matter for case management on 28 February 2011 immediately after the clarification and/or decision in respect of the State Government's application.

On 28 February 2011, the High Court allowed the State Government's application to convert the Originating Summons into a writ action. The matter was fixed for case management on 16 March 2011. The matter was fixed for further Case Management on 30 March 2011 pending the State Government's official response on its stand in respect of SYABAS' claim for compensation and tariff adjustment. The current judge for the case had recused himself from hearing the case any further. The matter was fixed for case management before a new judge on 11 April 2011 which subsequently upon written request by SYABAS's solicitors, was rescheduled to 12 April 2011.

The matter came up for Case Management for the first time before NCCI High Court Judge on 12 April 2011. The parties informed the learned Judge that they are working out the mechanics of the proposed hearing. The learned Judge then fixed a further case management date on 6 May 2011.

The Court has fixed the matter for further case management on 10 May 2011 to enable the defendant's leading counsel to attend the same. The Court has further fixed the case management on 27 May 2011 pending the defendant's filing of an application to join the Federal Government as a party to the proceedings. As the defendant had decided not to bring in the Federal Government as a party to the proceedings, the case management on 27 May 2011 was fixed for further case management on 28 June 2011 for Syabas to take instruction on the mode of action and pleadings.

f) Konsortium ABASS Sdn Bhd ("Konsortium ABASS")

Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011

SYABAS has been served with a Writ and Statement of Claim ("Statement of Claim") dated 28 March 2011 from the solicitors acting for Abass on 30 March 2011.

In the Statement of Claim, ABASS is claiming against SYABAS for, inter alia, the following:-

- i) A declaration that SYABAS is liable to make full payment on all invoices issued by ABASS pursuant to the Privatization Cum Concession Agreement dated 9 December 2000, the Supplemental Agreements dated 10 February 2001, 28 August 2001 and 15 February 2005 and the Novation Agreement dated 15 February 2005 particularly in accordance to Section 4.04 (c) of the Novation Agreement and that SYABAS's liability to make payment in full is not in any way diminished or mitigated by reason of its right to make proportionate payment to the water concessionaires;
- ii) Judgment for the sum of RM149,478,553.02;
- iii) An account of all payments due to ABASS in respect of invoices issued after the date of the Writ herein be taken by the Honourable Court and an order that SYABAS do pay ABASS all such sums found to be due on the taking of such account;
- iv) Interest on the outstanding amount of the invoices for the months from January 2010 to October 2010 at the rate of 1 % per annum plus the base lending rate of Malayan Banking Berhad calculated on daily basis until the date of full payment by SYABAS;
- v) Interest on the outstanding amount of the previous outstanding invoices for the months from June 2006 to December 2009 in the sum of RM6,218,522.57;
- vi) Alternative to prayers (3) and (4) above, interest at the rate of 8 % per annum on the outstanding amount of each of the outstanding invoices to be calculated from the respective due date until the date of full payment by SYABAS;
- vi) Damages for breach of contract; and
- vii) Costs.

SYABAS is required to enter appearance within 8 days from 30 March 2011 and the Court fixed the matter for Case Management on 12 April 2011.

SYABAS' solicitors filed the Memorandum of Appearance in relation to the Suit on 4 April 2011 and the same had been served on the Plaintiff's solicitors on 5 April 2011.

The High Court fixed the matter for Case Management on 12 April 2011. At the Case Management on 12 April 2011, the High Court fixed a further Case Management on 30 May 2011 in order for SYABAS to file its Defence latest by 6 May 2011 and for ABASS to file its reply (if any).

SYABAS' Defence and Counterclaim had been filed in Court and a copy thereof served on the solicitors of Konsortium Abass respectively, on 6 May 2011.

The matter came up for Case Management on 30 May 2011 and the Court has fixed 7 July 2011 for Mention pending SYABAS' reply to the Plaintiff's Reply & Defence to counterclaim.

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.

B14 Dividend

No dividend has been proposed or declared under the current financial quarter and financial year-to-date under review (1.1.2010 to 31.3.2010 : Nil)

B15 Earnings per share ("EPS")

a) Basic EPS

Basic EPS are calculated by dividing the net loss for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 3 months ended 31.03.2011	Preceding Year Corresponding Quarter 31.03.2010	Current Year todate 3 months ended 31.03.2011	Preceding Year Corresponding Period 3 months ended 31.03.2010
Net loss attributable to owners of the parent	(RM'000)	(8,112)	(8,388)	(8,112)	(8,388)
Weighted average number of ordinary shares in issue	('000)	409,106	409,106	409,106	409,106
Basic EPS	(sen)	(1.98)	(2.05)	(1.98)	(2.05)

b) Diluted EPS

Not applicable.

B16 Accumulated Losses

	As at 31.3.2011 RM'000	As at 31.12.2010 RM'000 (Restated)
Total accumulated losses		
- Realised	(259,924)	(240,091)
- Unrealised	(328,548)	(317,560)
	<u>(588,472)</u>	<u>(557,651)</u>
Total share of accumulated losses from associated companies:		
- Realised	(5)	(4)
- Unrealised	-	-
Total share of accumulated losses from joint venture		
- Realised	(1,836)	(1,729)
- Unrealised	-	-
	<u>(1,836)</u>	<u>(1,729)</u>
Less : Consolidation adjustments	122,456	99,639
Total group accumulated losses as per consolidated accounts	<u>(467,857)</u>	<u>(459,745)</u>

By Order of the Board

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

Shah Alam
31 May 2011