

**Puncak Niaga Holdings Berhad (416087-U)**  
**Unaudited Second Quarterly Financial Statements Ended 30 JUNE 2011**  
**Condensed Consolidated Income Statements**

|  | <i>Note</i>               | <b>INDIVIDUAL QUARTER</b> |                | <b>CUMULATIVE QUARTER</b> |                |
|--|---------------------------|---------------------------|----------------|---------------------------|----------------|
|  |                           | Current Year              | Preceding Year | Current Year              | Preceding Year |
|  |                           | Quarter                   | Corresponding  | Todate                    | Corresponding  |
|  |                           | 3 months ended            |                | 6 months ended            |                |
|  |                           | 30.6.2011                 | 30.6.2010      | 30.6.2011                 | 30.6.2010      |
|  |                           | RM'000                    | RM'000         | RM'000                    | RM'000         |
|  |                           | Unaudited                 | (Restated)     | Unaudited                 | (Restated)     |
| Revenue  | <i>A1(b) &amp; A13(a)</i> | 539,781                   | 518,884        | 1,086,412                 | 1,023,835      |
| Other income   | <i>A1(b)</i>              | 32,298                    | 31,510         | 64,372                    | 58,120         |
| Operating costs  | <i>A1(b)</i>              | (362,389)                 | (366,959)      | (725,876)                 | (705,119)      |
| Construction contract expense  | <i>A1(b)</i>              | (32,347)                  | (45,083)       | (86,018)                  | (74,888)       |
| Depreciation and amortisation expense                                    | <i>A1(b)</i>              | (41,985)                  | (37,783)       | (83,972)                  | (79,582)       |
| Profit from operations   |                           | 135,358                   | 100,569        | 254,918                   | 222,366        |
| Finance costs  | <i>A1(b) &amp; B5</i>     | (147,647)                 | (147,977)      | (300,272)                 | (290,406)      |
| Share of results of associates   |                           | (1)                       | -              | (1)                       | -              |
| Share of results of joint venture  |                           | (14)                      | (178)          | (122)                     | (268)          |
| Loss before tax  |                           | (12,304)                  | (47,586)       | (45,477)                  | (68,308)       |
| Taxation:-   |                           |                           |                |                           |                |
| - Income taxation  |                           | (8,667)                   | (3,136)        | (16,028)                  | (8,745)        |
| - Deferred taxation  |                           | 7,662                     | 13,200         | 18,567                    | 30,876         |
|  | <i>A1(b) &amp; B6</i>     | (1,005)                   | 10,064         | 2,539                     | 22,131         |
| <b>Loss net of tax</b>   | <i>A1(b)</i>              | (13,309)                  | (37,522)       | (42,938)                  | (46,177)       |
| Attributable to:   |                           |                           |                |                           |                |
| Owners of the parent   |                           | 3,700                     | (37,503)       | (4,412)                   | (45,891)       |
| Non-controlling interests  |                           | (17,009)                  | (19)           | (38,526)                  | (286)          |
| Loss net of tax  |                           | (13,309)                  | (37,522)       | (42,938)                  | (46,177)       |
|  |                           | sen                       | sen            | sen                       | sen            |
| <b>Earnings / (Loss) per share attributable to owners of the parent:</b> |                           |                           |                |                           |                |
| - basic  | <i>B15(a)</i>             | 0.90                      | (9.17)         | (1.08)                    | (11.22)        |
| - diluted  | <i>B15(b)</i>             | 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 Second Quarterly Financial Statements Ended 30 June 2011**  
**Condensed Consolidated Statement of Financial Position**

|   | Note             | As at<br>30.6.2011<br>RM'000<br>Unaudited | As at<br>31.12.2010<br>RM'000<br>(Restated) |
|---|------------------|---|---|
| <b>ASSETS</b>   |                  |   |   |
| <b>Non-current assets</b>   |                  |   |   |
| Property, plant & equipment   | A1 (b) & A13 (c) | 232,275                                   | 237,878                                     |
| Intangible asset  | A1(b) & B10      | 7,750,288                                 | 7,756,377                                   |
| Financial asset   | A1(b)            | 4,729                                     | 2,476                                       |
| Investment in associates  |                  | 40  | 39  |
| Investment in joint venture   |                  | 5,641                                     | 5,635                                       |
| Debt service reserve account  |                  | 301,574                                   | 297,271                                     |
| Goodwill  |                  | 514,720                                   | 514,873                                     |
| Other receivables   |                  | 290,774                                   | 284,707                                     |
| Deferred tax assets   | A1(b)            | 367,225                                   | 348,637                                     |
|   |                  | <u>9,467,266</u>                          | <u>9,447,893</u>                            |
| <b>Current assets</b>   |                  |   |   |
| Inventories   |                  | 17,310                                    | 16,512                                      |
| Trade receivables   |                  | 1,337,409                                 | 1,104,989                                   |
| Other receivables   |                  | 56,989                                    | 43,930                                      |
| Other current assets  |                  | 27,096                                    | 19,003                                      |
| Tax recoverable   |                  | 639                                       | 654   |
| Short term funds  |                  | 36  | 35  |
| Cash and bank balances  |                  | 1,308,275                                 | 1,215,267                                   |
|   |                  | <u>2,747,754</u>                          | <u>2,400,390</u>                            |
| <b>TOTAL ASSETS</b>   |                  | <u>12,215,020</u>                         | <u>11,848,283</u>                           |
| <b>EQUITY AND LIABILITIES</b>   |                  |   |   |
| <b>Equity attributable to equity owners of the parent</b>             |                  |   |   |
| Share capital   |                  | 411,143                                   | 411,143                                     |
| Reserves  |                  | (365,785)                                 | (360,703)                                   |
| Treasury shares   |                  | (5,941)                                   | (5,941)                                     |
| <b>Shareholders' equity</b>   |                  | <u>39,417</u>                             | <u>44,499</u>                               |
| <b>Non-controlling interests</b>                                      | A1(b)            | (22,718)                                  | 15,822                                      |
| <b>Total equity</b>   |                  | <u>16,699</u>                             | <u>60,321</u>                               |
| <b>Non-current liabilities</b>  |                  |   |   |
| Loans and borrowings  | B11              | 5,019,000                                 | 4,680,572                                   |
| Other payables  |                  | 30,167                                    | 29,019                                      |
| Concession liabilities  | A1(b)            | 3,980,349                                 | 4,001,339                                   |
| Government grant  | A1(b)            | 250,361                                   | 256,482                                     |
|   |                  | <u>9,279,877</u>                          | <u>8,967,412</u>                            |
| <b>Current liabilities</b>  |                  |   |   |
| Loans and borrowings  | B11              | 519,562                                   | 806,392                                     |
| Trade and other payables  |                  | 1,645,248                                 | 1,283,820                                   |
| Other current liabilities   |                  | 5,865                                     | 6,546                                       |
| Concession liabilities  | A1(b)            | 341,808                                   | 329,310                                     |
| Deposit from consumers  |                  | 392,222                                   | 380,326                                     |
| Tax payable   |                  | 13,739                                    | 14,156                                      |
|   |                  | <u>2,918,444</u>                          | <u>2,820,550</u>                            |
| <b>Total liabilities</b>  |                  | <u>12,198,321</u>                         | <u>11,787,961</u>                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |                  | <u>12,215,020</u>                         | <u>11,848,283</u>                           |
| <b>Net assets per share attributable to owners of the parent (RM)</b> |                  | <u>0.10</u>                               | <u>0.11</u>                                 |

(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 Second Quarterly Financial Statements Ended 30 June 2011**  
**Condensed Consolidated Statements of Comprehensive Income**

|   | <b>INDIVIDUAL QUARTER</b>   |   | <b>CUMULATIVE QUARTER</b>  |  |
|---|---|---|--|--|
|   | Current Year<br>Quarter<br>3 months ended<br>30.6.2011<br>RM'000<br>Unaudited | Preceding Year<br>Corresponding<br>Quarter<br>30.6.2010<br>RM'000<br>(Restated) | Current Year<br>Todate<br>6 months ended<br>30.6.2011<br>RM'000<br>Unaudited | Preceding Year<br>Corresponding<br>Period<br>30.6.2010<br>RM'000<br>(Restated) |
| Loss net of tax   | (13,309)  | (37,522)  | (42,938)   | (46,177)   |
| <b>Other comprehensive expenses :</b>                     |   |   |  |  |
| Foreign currency translation                              | 127   | (3,149)   | (683)  | (2,611)  |
| <b>Total comprehensive income/(loss) for the period</b>   | <b>(13,182)</b>   | <b>(40,671)</b>   | <b>(43,621)</b>  | <b>(48,788)</b>  |
| <b>Total comprehensive income/(loss) attributable to:</b> |   |   |  |  |
| Owners of the parent                                      | 3,841   | (40,481)  | (5,081)  | (48,331)   |
| Non-controlling interests                                 | (17,023)  | (190)   | (38,540)   | (457)  |
|   | <b>(13,182)</b>   | <b>(40,671)</b>   | <b>(43,621)</b>  | <b>(48,788)</b>  |

**(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 Second Quarterly Financial Statements Ended 30 June 2011**  
**Condensed Consolidated Statement of Changes in Equity**

| Note  | Attributable to Owners of the Parent |                |                 |                                    |  |               |                           |               |
|---|--------------------------------------|----------------|-----------------|------------------------------------|--|---------------|---------------------------|---------------|
|   | Non-distributable                    |                |                 |                                    | Distributable                            |               |                           |               |
|   | Share Capital                        | Share Premium  | Treasury Shares | Foreign Currency Exchange Reserves | Retained Earnings / (Accumulated Losses) | Total         | Non-controlling Interests | Total Equity  |
|   | RM'000                               | RM'000         | RM'000          | RM'000                             | RM'000                                   | RM'000        | RM'000                    | RM'000        |
| <b>6 months period ended 30 June 2011</b>                     |                                      |                |                 |                                    |  |               |                           |               |
| Opening balance at 1 January 2011 (as previously stated)      | 411,143                              | 102,878        | (5,941)         | (3,837)                            | 997,188                                  | 1,501,431     | 334,755                   | 1,836,186     |
| - Effects of adoption IC 12                                   | -                                    | -              | -               | -                                  | (1,456,933)                              | (1,456,933)   | (318,933)                 | (1,775,866)   |
| At 1 January 2011 (as restated)                               | 411,143                              | 102,878        | (5,941)         | (3,837)                            | (459,745)                                | 44,498        | 15,822                    | 60,320        |
| Total comprehensive loss for the period                       | -                                    | -              | -               | (669)                              | (4,412)                                  | (5,081)       | (38,540)                  | (43,621)      |
| <b>Closing balance at 30 June 2011 (Unaudited)</b>            | <b>411,143</b>                       | <b>102,878</b> | <b>(5,941)</b>  | <b>(4,506)</b>                     | <b>(464,157)</b>                         | <b>39,417</b> | <b>(22,718)</b>           | <b>16,699</b> |
| <b>6 months period ended 30 June 2010</b>                     |                                      |                |                 |                                    |  |               |                           |               |
| Opening balance at 1 January 2010 (as previously restated)    | 411,143                              | 102,878        | (5,941)         | 384                                | 965,337                                  | 1,473,801     | 264,842                   | 1,738,643     |
| - Effects of adoption FRS 139                                 | -                                    | -              | -               | -                                  | (46,750)                                 | (46,750)      | -                         | (46,750)      |
| - Effects of adoption IC 12                                   | -                                    | -              | -               | -                                  | (1,296,455)                              | (1,296,455)   | (248,180)                 | (1,544,635)   |
| At 1 January 2010 (as restated)                               | 411,143                              | 102,878        | (5,941)         | 384                                | (377,868)                                | 130,596       | 16,662                    | 147,258       |
| Total comprehensive loss for the period                       | -                                    | -              | -               | (2,440)                            | (45,891)                                 | (48,331)      | (457)                     | (48,788)      |
| <b>Closing balance at 30 June 2010 (Unaudited) (Restated)</b> | <b>411,143</b>                       | <b>102,878</b> | <b>(5,941)</b>  | <b>(2,056)</b>                     | <b>(423,759)</b>                         | <b>82,265</b> | <b>16,205</b>             | <b>98,470</b> |

(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 Second Quarterly Financial Statements Ended 30 June 2011**  
**Condensed Consolidated Statement of Cash Flow**

|   | <b>6 months<br/>ended<br/>30.06.2011<br/>RM'000<br/>Unaudited</b> | <b>6 months<br/>ended<br/>30.06.2010<br/>RM'000<br/>Restated</b> |
|---|---|--|
| <b>Cash flows from operating activities</b>                       |   |  |
| Receipts from customers   | 715,671   | 689,614  |
| Other income  | 40,287  | 29,009   |
| Payments to water treatment operators                             | (172,017)   | (179,230)  |
| Payments for operating expenses                                   | (285,010)   | (290,484)  |
| Payments to contractors   | (36,395)  | (11,844)   |
| Net cash generated from operations                                | <u>262,536</u>  | <u>237,065</u>   |
| Net deposits received   | 13,281  | 15,550   |
| Interest paid   | (102,112)   | (107,942)  |
| Tax paid  | (16,288)  | (15,577)   |
| Interest received   | 18,041  | 12,165   |
| Net cash inflow from operating activities                         | <u>175,458</u>  | <u>141,261</u>   |
| <b>Cash flows from investing activities</b>                       |   |  |
| Purchase of property, plant and equipment                         | (15,465)  | (35,076)   |
| Additions of intangible asset                                     | (73,243)  | (73,836)   |
| Net advance to associate  | (1)   | (1)  |
| Net advance to joint venture                                      | (129)   | (251)  |
| Purchase of unquoted investments                                  | -   | (80,000)   |
| Proceeds from disposal of property, plant and equipment           | 161   | 400  |
| Net cash outflow from investing activities                        | <u>(88,677)</u>   | <u>(188,764)</u>   |
| <b>Cash flows from financing activities</b>                       |   |  |
| Proceeds from loans and borrowings                                | 20,272  | 141,656  |
| Repayment of loans and borrowings                                 | (7,017)   | (6,812)  |
| Repayment of obligation under finance leases                      | (2,603)   | (2,903)  |
| Net cash inflow from financing activities                         | <u>10,652</u>   | <u>131,941</u>   |
| Net change in cash & cash equivalents                             | 97,433  | 84,438   |
| Effects of foreign exchange rate on cash and cash equivalents     | (121)   | (575)  |
| <b>Cash and cash equivalents at beginning of financial period</b> | 1,215,302   | 1,216,532  |
| Transfer to debt service reserve account                          | (4,303)   | (3,348)  |
| Deposits held in trust  | (178,654)   | (157,150)  |
| <b>Cash and cash equivalents at end of financial period</b>       | <u>1,129,657</u>  | <u>1,139,897</u>   |
| <b>Cash and cash equivalents comprise:</b>                        |   |  |
| Deposits with licensed banks                                      | 1,231,753   | 1,168,884  |
| Cash and bank balances  | 76,522  | 80,371   |
|   | 1,308,275   | 1,249,255  |
| Add: Short term funds   | 36  | 47,792   |
| Less: Deposits held in trust                                      | (178,654)   | (157,150)  |
|   | <u>1,129,657</u>  | <u>1,139,897</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 RM39.4 million (31.12.2010 (audited): 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 under review, it has come to the knowledge of the Group that there are differing views within the accounting fraternity regarding the appropriateness of certain methods in amortising intangible asset contained in a concession arrangement, and the deliberation over this matter is currently ongoing. Pending the finalisation of any consensus by the accounting fraternity 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 appropriateness of the existing amortisation method should such need arise in future.

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

|   | 3 months ended 30 June 2011 |                        |                       | 6 months ended 30 June 2011    |   |                               |
|---|-----------------------------|------------------------|-----------------------|--------------------------------|---|-------------------------------|
|   | Before IC 12<br>RM'000      | IC 12 Impact<br>RM'000 | After IC 12<br>RM'000 | Before IC 12<br>RM'000         | IC 12 Impact<br>RM'000                          | After IC 12<br>RM'000         |
| <b>INCOME STATEMENTS</b>                  |                             |                        |                       |                                |   |                               |
| Revenue                                   | 514,043                     | 25,738                 | 539,781               | 1,029,955                      | 56,457  | 1,086,412                     |
| Other income                              | 30,880                      | 1,418                  | 32,298                | 61,510                         | 2,862   | 64,372                        |
| Operating costs                           | (221,607)                   | (140,782)              | (362,389)             | (435,863)                      | (290,013)                                       | (725,876)                     |
| Construction contract expense             | (8,588)                     | (23,759)               | (32,347)              | (34,057)                       | (51,961)  | (86,018)                      |
| Depreciation and amortisation expense     | (145,986)                   | 104,001                | (41,985)              | (279,204)                      | 195,232   | (83,972)                      |
| Finance costs                             | (96,514)                    | (51,133)               | (147,647)             | (194,307)                      | (105,965)                                       | (300,272)                     |
| Taxation                                  | (22,638)                    | 21,633                 | (1,005)               | (43,306)                       | 45,845  | 2,539                         |
| Profit / (Loss) for the period            | 49,468                      | (62,777)               | (13,309)              | 104,607                        | (147,545)                                       | (42,938)                      |
|   |                             |                        |                       | <b>Before IC 12<br/>RM'000</b> | <b>30 June 2011<br/>IC 12 Impact<br/>RM'000</b> | <b>After IC 12<br/>RM'000</b> |
| <b>STATEMENT OF FINANCIAL POSITION</b>    |                             |                        |                       |                                |   |                               |
| <b>Non-current assets</b>                 |                             |                        |                       |                                |   |                               |
| Property, plant & equipment               |                             |                        |                       | 1,597,397                      | (1,365,122)                                     | 232,275                       |
| Project development expenditure           |                             |                        |                       | 4,761,553                      | (4,761,553)                                     | -                             |
| Intangible asset                          |                             |                        |                       | -                              | 7,750,288                                       | 7,750,288                     |
| Financial asset                           |                             |                        |                       | -                              | 4,729   | 4,729                         |
| Deferred tax assets                       |                             |                        |                       | -                              | 367,225   | 367,225                       |
| <b>Non-current liabilities</b>            |                             |                        |                       |                                |   |                               |
| Deferred tax liabilities                  |                             |                        |                       | 307,689                        | (307,689)                                       | -                             |
| Concession liabilities                    |                             |                        |                       | -                              | 3,980,349                                       | 3,980,349                     |
| Government grant                          |                             |                        |                       | 285,526                        | (35,165)  | 250,361                       |
| <b>Current liabilities</b>                |                             |                        |                       |                                |   |                               |
| Concession liabilities                    |                             |                        |                       | -                              | 341,808   | 341,808                       |
| <b>Shareholders' equity</b>               |                             |                        |                       |                                |   |                               |
| Retained earnings/ (Accumulated losses) : |                             |                        |                       |                                |   |                               |
| Brought forward                           |                             |                        |                       | 997,188                        | (1,456,933)                                     | (459,745)                     |
| Profit for the year                       |                             |                        |                       | 68,183                         | (72,595)  | (4,412)                       |
| Carried forward                           |                             |                        |                       | 1,065,371                      | (1,529,528)                                     | (464,157)                     |
| <b>Non-controlling interests</b>          |                             |                        |                       |                                |   |                               |
|   |                             |                        |                       | 371,165                        | (393,883)                                       | (22,718)                      |

#### FRS 127 Consolidated and Separate Financial Statements (Revised)

FRS 127 - Consolidated and Separate Financial Statements (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<br>financial<br>periods<br>beginning on<br>or after |
|---|---|
| IC Interpretation 19  | 1 July 2011   |
| Amendments to IC Interpretation 14                          | 1 July 2011   |
| TR i - 4  | 1 January 2011  |
| FRS 124   | 1 January 2012  |
| IC Interpretation 15  | 1 January 2012  |
| Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011   |
| Prepayments of a Minimum Funding Requirement                | 1 July 2011   |
| Shariah Compliant Sale Contracts                            | 1 January 2011  |
| Related Party Disclosures (Revised)                         | 1 January 2012  |
| 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.

**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 (1.1.2010 to 30.6.2010: 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<br>Distribution<br>RM'000 | Water<br>Treatment<br>RM'000 | Holding<br>Company<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Group<br>Total<br>RM'000 |
|---|---------------------------------|------------------------------|------------------------------|------------------|-----------------------|--------------------------|
| <b>Results for 3 months ended 30 June 2011</b>            |                                 |                              |                              |                  |                       |                          |
| <b>Operating Revenue</b>                                  |                                 |                              |                              |                  |                       |                          |
| Sales to external customers                               | 504,403                         | -                            | -                            | 35,378           | -                     | 539,781                  |
| Inter-segment sales                                       | -                               | 134,014                      | -                            | 1,078            | (135,092)             | -                        |
|   | 504,403                         | 134,014                      | -                            | 36,456           | (135,092)             | 539,781                  |
| Other income  | 24,840                          | 41,303                       | 21,108                       | 59               | (55,012)              | 32,298                   |
|   | 529,243                         | 175,317                      | 21,108                       | 36,515           | (190,104)             | 572,079                  |
| Operating expenses  | (399,672)                       | (43,225)                     | (900)                        | (88,027)         | 137,088               | (394,736)                |
| Share of results of associates                            | -                               | -                            | -                            | (1)              | -                     | (1)                      |
| Share of results of joint venture                         | -                               | -                            | -                            | (14)             | -                     | (14)                     |
| Amortisation and depreciation                             | (38,214)                        | (3,475)                      | (194)                        | (102)            | -                     | (41,985)                 |
| <b>Segment results</b>                                    | <b>91,357</b>                   | <b>128,617</b>               | <b>20,015</b>                | <b>(51,629)</b>  | <b>(53,016)</b>       | <b>135,343</b>           |
| Finance costs   |                                 |                              |                              |                  |                       | (147,647)                |
| <b>Loss before tax</b>                                    |                                 |                              |                              |                  |                       | <b>(12,304)</b>          |
| <b>Results for 3 months ended 30 June 2010 (Restated)</b> |                                 |                              |                              |                  |                       |                          |
| <b>Operating Revenue</b>                                  |                                 |                              |                              |                  |                       |                          |
| Sales to external customers                               | 469,748                         | -                            | -                            | 49,136           | -                     | 518,884                  |
| Inter-segment sales                                       | -                               | 123,889                      | -                            | 2,216            | (126,105)             | -                        |
|   | 469,748                         | 123,889                      | -                            | 51,352           | (126,105)             | 518,884                  |
| Other income  | 19,489                          | 34,148                       | 17,972                       | 14               | (40,113)              | 31,510                   |
|   | 489,237                         | 158,037                      | 17,972                       | 51,366           | (166,218)             | 550,394                  |
| Operating expenses  | (401,612)                       | (58,208)                     | (1,871)                      | (103,887)        | 153,536               | (412,042)                |
| Share of results of joint venture                         | -                               | -                            | -                            | (178)            | -                     | (178)                    |
| Amortisation and depreciation                             | (39,464)                        | 1,980                        | (211)                        | (88)             | -                     | (37,783)                 |
| <b>Segment results</b>                                    | <b>48,161</b>                   | <b>101,809</b>               | <b>15,890</b>                | <b>(52,787)</b>  | <b>(12,682)</b>       | <b>100,391</b>           |
| Finance costs   |                                 |                              |                              |                  |                       | (147,977)                |
| <b>Loss before tax</b>                                    |                                 |                              |                              |                  |                       | <b>(47,586)</b>          |

|   | Water<br>Distribution<br>RM'000 | Water<br>Treatment<br>RM'000 | Holding<br>Company<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Group<br>Total<br>RM'000 |
|---|---------------------------------|------------------------------|------------------------------|------------------|-----------------------|--------------------------|
| <b>Results for 6 months ended 30 June 2011</b>            |                                 |                              |                              |                  |                       |                          |
| <b>Operating Revenue</b>                                  |                                 |                              |                              |                  |                       |                          |
| Sales to external customers                               | 991,378                         | -                            | -                            | 95,034           | -                     | 1,086,412                |
| Inter-segment sales                                       | -                               | 264,452                      | -                            | 1,222            | (265,674)             | -                        |
|   | 991,378                         | 264,452                      | -                            | 96,256           | (265,674)             | 1,086,412                |
| Other income  | 47,916                          | 74,338                       | 38,319                       | 108              | (96,309)              | 64,372                   |
|   | 1,039,294                       | 338,790                      | 38,319                       | 96,365           | (361,983)             | 1,150,784                |
| Operating expenses  | (853,821)                       | (132,426)                    | (3,311)                      | (93,249)         | 270,913               | (811,894)                |
| Share of results of associates                            | -                               | -                            | -                            | (1)              | -                     | (1)                      |
| Share of results of joint venture                         | -                               | -                            | -                            | (122)            | -                     | (122)                    |
| Amortisation and depreciation                             | (76,360)                        | (6,996)                      | (408)                        | (208)            | -                     | (83,972)                 |
| <b>Segment results</b>                                    | 109,113                         | 199,368                      | 34,600                       | 2,784            | (91,070)              | 254,795                  |
| Finance costs   |                                 |                              |                              |                  |                       | (300,272)                |
| <b>Loss before tax</b>                                    |                                 |                              |                              |                  |                       | (45,477)                 |
| <b>Results for 6 months ended 30 June 2010 (Restated)</b> |                                 |                              |                              |                  |                       |                          |
| <b>Operating Revenue</b>                                  |                                 |                              |                              |                  |                       |                          |
| Sales to external customers                               | 942,447                         | -                            | -                            | 81,388           | -                     | 1,023,835                |
| Inter-segment sales                                       | -                               | 249,087                      | -                            | 2,440            | (251,527)             | -                        |
|   | 942,447                         | 249,087                      | -                            | 83,828           | (251,527)             | 1,023,835                |
| Other income  | 40,321                          | 54,713                       | 35,231                       | 44               | (72,189)              | 58,120                   |
|   | 982,768                         | 303,800                      | 35,231                       | 83,872           | (323,716)             | 1,081,955                |
| Operating expenses  | (832,532)                       | (119,083)                    | (6,482)                      | (80,687)         | 258,777               | (780,007)                |
| Share of results of joint venture                         | -                               | -                            | -                            | (268)            | -                     | (268)                    |
| Amortisation and depreciation                             | (77,746)                        | (1,242)                      | (422)                        | (172)            | -                     | (79,582)                 |
| <b>Segment results</b>                                    | 72,490                          | 183,475                      | 28,327                       | 2,745            | (64,939)              | 222,098                  |
| Finance costs   |                                 |                              |                              |                  |                       | (290,406)                |
| <b>Loss before tax</b>                                    |                                 |                              |                              |                  |                       | (68,308)                 |

b)

|   | Water<br>Distribution<br>RM'000 | Water<br>Treatment<br>RM'000 | Holding<br>Company<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Group<br>Total<br>RM'000 |
|---|---------------------------------|------------------------------|------------------------------|------------------|-----------------------|--------------------------|
| <b>Assets and Liabilities As at 30 June 2011</b>            |                                 |                              |                              |                  |                       |                          |
| Investment in associates                                    | -                               | -                            | 40                           | -                | -                     | 40                       |
| Segment assets  | 10,043,407                      | 3,092,823                    | 1,631,645                    | 38,840           | (2,959,600)           | 11,847,115               |
|   | 10,043,407                      | 3,092,823                    | 1,631,685                    | 38,840           | (2,959,600)           | 11,847,155               |
| Unallocated assets  |                                 |                              |                              |                  |                       | 367,865                  |
| <b>Total assets</b>   |                                 |                              |                              |                  |                       | <b>12,215,020</b>        |
| Segment liabilities   | 12,218,427                      | 1,904,268                    | 670,135                      | 190,720          | (2,798,965)           | 12,184,585               |
| Unallocated liabilities                                     |                                 |                              |                              |                  |                       | 13,736                   |
| <b>Total liabilities</b>                                    |                                 |                              |                              |                  |                       | <b>12,198,321</b>        |
| <b>Assets and Liabilities As at 30 June 2010 (Restated)</b> |                                 |                              |                              |                  |                       |                          |
| Investment in associates                                    | -                               | -                            | 44                           | -                | (3)                   | 41                       |
| Segment assets  | 9,521,106                       | 2,875,542                    | 1,336,201                    | 20,791           | (2,278,880)           | 11,474,760               |
|   | 9,521,106                       | 2,875,542                    | 1,336,245                    | 20,791           | (2,278,883)           | 11,474,801               |
| Unallocated assets  |                                 |                              |                              |                  |                       | 312,336                  |
| <b>Total assets</b>   |                                 |                              |                              |                  |                       | <b>11,787,137</b>        |
| Segment liabilities   | 11,347,899                      | 1,866,852                    | 343,389                      | 177,052          | (2,134,029)           | 11,601,163               |
| Unallocated liabilities                                     |                                 |                              |                              |                  |                       | 20,969                   |
| <b>Total liabilities</b>                                    |                                 |                              |                              |                  |                       | <b>11,622,132</b>        |

#### **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**

Subsequent to the current financial quarter:-

- a) The Company was notified on 26 July 2011 by Luwei Co. Ltd that the regulatory authorities of the People's Republic of China had issued the "Enterprise Legal Representative Business Licence" dated 25 July 2011 approving the increase of the paid up registered capital of Luwei Co. Ltd to USD5,400,000.00 from USD3,870,000.00 previously.

Accordingly, Luwei Co. Ltd became a 91.34% owned subsidiary of Sino Water Pte Ltd with a total investment of USD4,932,500.00.

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**

- a) 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).

POG's acquisitions of 40% equity interest in GOM and KGL, respectively were completed on 30 June 2011.

- b) 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-subsiidiary of the Company on 19 April 2011. JHSB was incorporated on 5 April 2011.

The Company had on 2 June 2011 disposed its entire 55% stake in RCSB comprising fifty five (55) ordinary shares of RM1.00 each in RCSB at a cash consideration of Ringgit Malaysia Fifty Five (RM55.00) only to Rides Star Sdn Bhd (Company No. 232275-H) ("Disposal").

Following the Disposal on 2 June 2011, JHSB, also ceased to be a sub-subsiidiary of the Company.

The Disposal will enable the Group to focus on its recent foray into the oil and gas industry and the core businesses of the Group in the water industry.

Save as disclosed above, 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 RM102,666,399 (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<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current Year<br>ToDate | Preceding Year<br>Corresponding<br>Period |
|  | 3 months ended          |  | 6 months ended         |   |
|  | 30.6.2011               | 30.6.2010                                  | 30.6.2011              | 30.6.2010                                 |
|  | RM'000                  | RM'000                                     | RM'000                 | RM'000                                    |
|  |                         | (Restated)                                 |                        | (Restated)                                |
| Supply and distribution of treated water to consumers (Note i) | 504,403                 | 469,748                                    | 991,378                | 942,447                                   |
| Construction revenue   | 35,378                  | 49,136                                     | 95,034                 | 81,388                                    |
|  | <u>539,781</u>          | <u>518,884</u>                             | <u>1,086,412</u>       | <u>1,023,835</u>                          |

Notes

- (i) Included in the water revenue is an amount of RM226.2 million being water tariff compensation for the first and second quarters of 2011 (6 months) (2010 : RM197.1 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 30 June 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 for the period from 1 January 2009 to 31 December 2009. Total claims submitted to Selangor State Government up to the period ended 30 June 2011 is RM1,183,518,896.

**b) Commitments**

|   | As at<br>30.6.2011<br>RM'000 | As at<br>31.12.2010<br>RM'000 |
|---|------------------------------|-------------------------------|
| Authorised capital expenditures not provided for in the financial statements:-<br>Contracts approved and contracted for | 291,872                      | 48,608                        |

**c) Acquisition and disposal of property, plant and equipment**

|                     | 6 months ended 30.6.2011 |                                       | Net Book<br>Value<br>RM'000 |
|---------------------|--------------------------|---------------------------------------|-----------------------------|
|                     | At cost<br>RM'000        | Accumulated<br>Depreciation<br>RM'000 |                             |
| Acquisition at cost | 8,319                    | 821                                   | 7,498                       |
| Disposal at cost    | 1,366                    | 1,318                                 | 48                          |

**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 12 interpretation is required to be adopted retrospectively.

|   | 3 months ended 30 June 2010 |                     |                 | 6 months ended 30 June 2010 |                     |                 |
|---|-----------------------------|---------------------|-----------------|-----------------------------|---------------------|-----------------|
|   | Previously reported RM'000  | IC 12 Impact RM'000 | Restated RM'000 | Previously reported RM'000  | IC 12 Impact RM'000 | Restated RM'000 |
| <b>INCOME STATEMENTS</b>  |                             |                     |                 |                             |                     |                 |
| Revenue   | 472,667                     | 46,217              | 518,884         | 951,026                     | 72,809              | 1,023,835       |
| Other income  | 27,651                      | 3,859               | 31,510          | 55,218                      | 2,902               | 58,120          |
| Operating costs   | (207,133)                   | (159,826)           | (366,959)       | (415,367)                   | (289,752)           | (705,119)       |
| Construction contract expense                                   | (2,918)                     | (42,165)            | (45,083)        | (8,286)                     | (66,602)            | (74,888)        |
| Depreciation and amortisation expense                           | (131,210)                   | 93,427              | (37,783)        | (259,156)                   | 179,574             | (79,582)        |
| Finance costs   | (94,186)                    | (53,791)            | (147,977)       | (181,051)                   | (109,355)           | (290,406)       |
| Income tax credit/(expenses)                                    | (16,614)                    | 26,678              | 10,064          | (36,810)                    | 58,941              | 22,131          |
| Profit/(loss) net of tax  | 48,079                      | (85,601)            | (37,522)        | 105,306                     | (151,483)           | (46,177)        |
| <b>Profit/(loss) attributable to:</b>                           |                             |                     |                 |                             |                     |                 |
| Owners of the parent  | 30,984                      | (68,487)            | (37,503)        | 69,301                      | (115,192)           | (45,891)        |
| Non-controlling interest  | 17,095                      | (17,114)            | (19)            | 36,005                      | (36,291)            | (286)           |
|   | <u>48,079</u>               | <u>(85,601)</u>     | <u>(37,522)</u> | <u>105,306</u>              | <u>(151,483)</u>    | <u>(46,177)</u> |
| <b>Earnings per share attributable to owners of the parent:</b> |                             |                     |                 |                             |                     |                 |
| - basic (sen)   | 7.57                        | (16.74)             | (9.17)          | 16.94                       | (28.16)             | (11.22)         |

|  | 31 December 2010           |                     |                 |
|--|----------------------------|---------------------|-----------------|
|  | Previously reported RM'000 | IC 12 Impact RM'000 | Restated RM'000 |
| <b>STATEMENT OF FINANCIAL POSITION</b> |                            |                     |                 |
| <b>Non-current assets</b>              |                            |                     |                 |
| Property, plant & equipment            | 1,609,713                  | (1,371,835)         | 237,878         |
| Project development expenditure        | 4,497,424                  | (4,497,424)         | -               |
| Intangible asset                       | -                          | 7,756,377           | 7,756,377       |
| Financial asset                        | -                          | 2,476               | 2,476           |
| Deferred tax assets                    | -                          | 348,637             | 348,637         |
| <b>Non-current liabilities</b>         |                            |                     |                 |
| Deferred tax liabilities               | 280,434                    | (280,434)           | -               |
| Concession liabilities                 | -                          | 4,001,339           | 4,001,339       |
| Government grant                       | 288,870                    | (32,388)            | 256,482         |
| <b>Current liabilities</b>             |                            |                     |                 |
| Concession liabilities                 | -                          | 329,310             | 329,310         |
| <b>Shareholders' equity</b>            |                            |                     |                 |
| Retained earnings :                    |                            |                     |                 |
| Brought forward                        | 918,587                    | (1,237,525)         | (318,938)       |
| Profit for the year                    | 78,601                     | (219,408)           | (140,807)       |
| Carried forward                        | 997,188                    | (1,456,933)         | (459,745)       |
| <b>Non-controlling interests</b>       | 334,755                    | (318,933)           | 15,822          |

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

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### **B1 Review of performance**

For the current financial quarter, the Group registered higher revenue of RM539.8 million compared to RM518.9 million (restated) reported in the preceding year's corresponding financial quarter, representing an increase of RM20.9 million or 4.0%.

For the current financial year-to-date, the Group registered higher revenue of RM1,086.4 million compared to RM1,023.8 million (restated) reported in the preceding year's corresponding period, representing an increase of RM62.6 million or 6.1%.

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

The Group reported loss before tax ("LBT") of RM12.3 million for the current financial quarter compared to RM47.6 million (restated) recorded in the preceding year's corresponding quarter, representing a decrease of RM35.3 million.

For the current financial year-to-date, the Group reported lower LBT of RM45.5 million compared to RM68.3 million registered in the preceding year's corresponding period, representing a decrease of RM22.8 million.

The decrease in LBT for the current financial quarter and current financial year-to-date as compared to preceding year's corresponding financial quarter and preceding year's corresponding period was mainly due to higher water consumption and other income.

With the adoption of IC Interpretation 12, the Group reported a loss net of tax of RM42.9 million for the current financial year-to-date ended 30 June 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 liabilities 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. The adoption of IC Interpretation 12 does not result in the 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 RM12.3 million for the current financial quarter compared to LBT of RM33.2 million registered in the immediate preceding financial quarter, representing a decrease of RM20.9 million. The lower LBT in the current financial quarter was mainly due to higher water consumption 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 completion of the 40% equity interest acquisition in Global Offshore Malaysia Sdn Bhd ("GOM") and KGL Ltd ("KGL") respectively on 30 June 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 RM105.97 million (30.6.2010 : RM109.36 million) arising from the adoption of IC Interpretation 12. Correspondingly, the accumulated notional interest costs recognised up to 30 June 2011 arising from the adoption of IC Interpretation 12 is RM1,440.1 million (30.6.2010 : RM1,224.8 million)

**B6 Income tax expenses**

|  | INDIVIDUAL QUARTER      |  | CUMULATIVE QUARTER     |   |
|--|-------------------------|--|------------------------|---|
|  | Current Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current Year<br>ToDate | Preceding Year<br>Corresponding<br>Period |
|  | 3 months ended          |  | 6 months ended         |   |
|  | 30.06.2011              | 30.6.2010                                  | 30.06.2011             | 30.6.2010                                 |
|  | RM'000                  | RM'000<br>(Restated)                       | RM'000                 | RM'000<br>(Restated)                      |
| In respect of current year:-           |                         |  |                        |   |
| - income tax                           | (8,626)                 | (3,136)                                    | (15,965)               | (8,924)                                   |
| - foreign income tax                   | (41)                    | -  | (49)                   | (87)                                      |
| - deferred tax                         | 7,662                   | 13,200                                     | 18,567                 | 30,876                                    |
|  | (1,005)                 | 10,064                                     | 2,553                  | 21,865                                    |
| In respect of prior year:-             |                         |  |                        |   |
| - (under)/over provision of income tax | -                       | -  | (14)                   | 266                                       |
|  | (1,005)                 | 10,064                                     | 2,539                  | 22,131                                    |

The effective tax rate of the Group for the current financial quarter and financial year-to-date was 8.17% and 5.58% respectively, lower than the statutory tax rate of 25% mainly due to the recognition of deferred tax assets arising from the 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 asset**

Included in the intangible asset 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 30 June 2011 are as follows:-

|  | Current<br>RM'000 | Non-current<br>RM'000 |
|--|-------------------|-----------------------|
| <b>Secured</b>                               |                   |                       |
| Bai' Bithaman Ajil Bonds                     | 180,000           | 836,345               |
| Bai' Bithaman Ajil Medium Term Notes         | -                 | 2,043,518             |
| Government Support Loan                      | 7,227             | 39,521                |
| Redeemable Unconvertible Junior Notes        | 307,565           | -                     |
| Term Loan                                    | -                 | 659,975               |
| Government Loan                              | -                 | 320,800               |
| Obligation Under Finance Leases              | 4,510             | 9,762                 |
| Revolving Credit Facility                    | 20,000            | -                     |
| Redeemable Cumulative Preference Shares      | -                 | 608,344               |
|  | 519,302           | 4,518,265             |
| <b>Unsecured</b>                             |                   |                       |
| Redeemable Convertible Unsecured Loan Stocks | -                 | 21,557                |
| Redeemable Unsecured Bonds                   | -                 | 472,482               |
| Lushan MOF Novated World Bank Loan           | 260               | 6,696                 |
|  | 519,562           | 5,019,000             |

All loans and borrowings are denominated in Ringgit Malaysia except for Lushan MOF Novated World Bank Loan which are denominated in United States Dollar ("USD") totaling USD2.3 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 High Court 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 was fixed for further full trial on 5 May 2011, 6 May 2011, 20 May 2011, 8 June 2011, 9 June 2011 and 10 June 2011. Since the trial concluded on 9 June 2011, the trial fixed for 10 June 2011 was vacated and the matter was fixed for decision on 12 September 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 20 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.

On 30 June 2011, the Court of Appeal decided in respect of SYABAS' appeal as follows:

- i) Order of the High Court dated 11 December 2010 allowing the Plaintiff's application pursuant to Order 33 of the Rules of the High Court 1980 ("1st Appeal") was not allowed; and
- ii) SYABAS' appeal against the Order of the High Court SYABAS' dated 21 February 2011 (Civil Appeal W-02 (NCC) 504-2011) ("2nd Appeal") was allowed in part.

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 was fixed for hearing on 9 June 2011. On 8 June 2011, SYABAS' solicitors was informed by the Plaintiff's solicitors that the High Court had approved the Plaintiff's application to adjourn the hearing for the taking of accounts pursuant to the Decision of the High Court of 21 February 2011 to 24 June 2011. The original hearing date fixed on 9 June 2011 was vacated. The hearing for the taking of accounts pursuant to the Decision of the High Court of 21 February 2011 has been adjourned to 1 July 2011 for continuation of hearing. At the High Court hearing held on 1 July 2011 of the Plaintiff's application for the taking of accounts of all payments due from the Defendant on all invoices issued after the date of the amended Writ of Summons, the Plaintiff's application was withdrawn with no order as to costs in view of the decision of the Court of Appeal on 30 June 2011.

At the mention on 15 July 2011 at the High Court, the Plaintiff withdrew the application to remove the stay of execution of the Order dated 21 February 2011 with no order as to costs. In respect of the application for interim payment, after hearing counsel for both parties, the Judge fixed the said application and any other application that may be filed for hearing on 22 July 2011. On 20 July 2011, SYABAS' solicitors was served with a Summons in Chambers dated 19 July 2011 ("SIC") by the Plaintiff's solicitors, an application by the Plaintiff for a consequential order for the taking of accounts pursuant to the Decision of the High Court of 21 February 2011. SYABAS had on 21 July 2011 filed its Affidavit pursuant to the SIC. At the hearing held on 22 July 2011, the High Court fixed the mention on 19 August 2011 for the parties to seek clarification from the Court of Appeal on the Court of Appeal's decision dated 30 June 2011.

The matter is now fixed for further mention on 20 September 2011 pending the disposal of the motion of SPLASH to the Court of Appeal (filed on 2 August 2011) for clarification of the Order of the Court of Appeal dated 30 June 2011. On 28 July 2011, SYABAS' solicitors were notified by SPLASH's solicitors that the latter intend to file a Notice of Motion for leave to appeal to the Federal Court against the part of decision of the Court of Appeal which was not in their favour. Counsels have perused the Notice of Motion and are preparing the affidavit to oppose SPLASH's application. At the case management on SPLASH's Notice of Motion held on 11 August 2011, the Federal Court fixed the matter for hearing on 17 October 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.

At the case management held on 28 June 2011, the High Court allowed SYABAS' application to withdraw with liberty to file afresh by way of a writ of summons with no order as to costs. The withdrawal of the suit by SYABAS with liberty to file afresh with no order as to costs are for the following reasons:-

- i) It was the defendant's application to convert the originating summons to a writ;
  - ii) It will be more appropriate in the circumstances to have proper pleadings rather than the present affidavit form;
  - iii) The plaintiff still intend to proceed with the claim by way of a fresh writ action.
- 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

At the Case Management held on 7 July 2011, the Court fixed the next Case Management on 29 July 2011 for the defendant to file a reply affidavit to the plaintiff's application pursuant to Order 33 Rule 2 Rules of the High Court 1980 for certain preliminary issues to be heard before the trial of other questions or issues in the action, and also for the defendant to serve the application for leave to issue a third party notice on the relevant parties.

At the Case Management on 29 July 2011 the High Court fixed a further Case Management date on 26 August 2011 to fix a hearing date for the plaintiff's application pursuant to Order 33 Rule 2 Rules of the High Court 1980 for certain preliminary issues to be heard before the trial of other questions or issues in the action, and also for the defendant's application for leave to issue a third party notice on the relevant parties.

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 30.6.2010 : Nil)

#### **B15 Earnings / (Loss) per share ("EPS" / "LPS")**

##### **a) Basic EPS / LPS**

Basic EPS / LPS are calculated by dividing the profit/(loss) for the year, net of tax, 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<br>Quarter      | Preceding Year<br>Corresponding<br>Quarter | Current Year<br>todate       | Preceding Year<br>Corresponding<br>Period |
|   |          | 3 months ended<br>30.06.2011 | 30.06.2010<br>(Restated)                   | 6 months ended<br>30.06.2011 | 30.06.2010<br>(Restated)                  |
| Profit/(loss) net of tax attributable to owners of the parent | (RM'000) | 3,700                        | (37,503)                                   | (4,412)                      | (45,891)                                  |
| Weighted average number of ordinary shares in issue           | ('000)   | 409,106                      | 409,106                                    | 409,106                      | 409,106                                   |
| Basic EPS / LPS   | (sen)    | 0.90                         | (9.17)                                     | (1.08)                       | (11.22)                                   |

##### **b) Diluted EPS**

Not applicable.

**B16 Accumulated Losses**

|   | <b>As at<br/>30.6.2011<br/>RM'000</b> | <b>As at<br/>31.12.2010<br/>RM'000<br/>(Restated)</b> |
|---|---------------------------------------|---|
| <b>Total accumulated losses</b>                                     |                                       |   |
| - Realised  | (259,139)                             | (240,091)   |
| - Unrealised  | <u>(332,122)</u>                      | <u>(317,560)</u>                                      |
|   | <u>(591,261)</u>                      | <u>(557,651)</u>                                      |
| <b>Total share of accumulated losses from associated companies:</b> |                                       |   |
| - Realised  | (5)                                   | (4)   |
| - Unrealised  | -                                     | -   |
| <b>Total share of accumulated losses from joint venture:</b>        |                                       |   |
| - Realised  | (1,851)                               | (1,729)   |
| - Unrealised  | <u>-</u>                              | <u>-</u>  |
|   | <u>(593,117)</u>                      | <u>(559,384)</u>                                      |
| Less : Consolidation adjustments                                    | 128,960                               | 99,639  |
| <b>Total group accumulated losses as per consolidated accounts</b>  | <u><u>(464,157)</u></u>               | <u><u>(459,745)</u></u>                               |

**By Order of the Board**

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

Shah Alam  
25 August 2011