

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Profit or Loss

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter	Corresponding	To date	Corresponding
		3 months ended	Quarter	3 months ended	Period
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
		Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations					
Revenue	A14(a)	20,316	13,093	20,316	13,093
Other income		8,870	12,205	8,870	12,205
Operating costs		(56,221)	(64,934)	(56,221)	(64,934)
Impairment losses		(8,447)	-	(8,447)	-
Depreciation and amortisation expenses		(3,245)	(3,616)	(3,245)	(3,616)
Loss from operations		(38,727)	(43,252)	(38,727)	(43,252)
Finance costs		(627)	(784)	(627)	(784)
Share of results of equity accounted entities		(207)	-	(207)	-
Loss before tax		(39,561)	(44,036)	(39,561)	(44,036)
Taxation expense	B5	(2,398)	(501)	(2,398)	(501)
Loss after tax from continuing operations		(41,959)	(44,537)	(41,959)	(44,537)
Discontinued operation					
Loss after tax from discontinued operation	A15	(1,009)	(1,141)	(1,009)	(1,141)
Loss after tax		(42,968)	(45,678)	(42,968)	(45,678)
Attributable to:					
Owners of the parent		(42,721)	(45,547)	(42,721)	(45,547)
Non-controlling interests		(247)	(131)	(247)	(131)
Loss after tax		(42,968)	(45,678)	(42,968)	(45,678)
		sen	sen	sen	sen
Basic loss per share attributable to owners of the parent:					
continuing operations	B11	(9.34)	(9.95)	(9.34)	(9.95)
discontinued operation		(0.21)	(0.23)	(0.21)	(0.23)
		(9.55)	(10.18)	(9.55)	(10.18)

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Comprehensive Income

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	3 months ended		3 months ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss after tax	(42,968)	(45,678)	(42,968)	(45,678)
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation	2,309	8,158	2,309	8,158
Total comprehensive expense for the period	(40,659)	(37,520)	(40,659)	(37,520)
Total comprehensive expense attributable to:				
Owners of the parent	(40,450)	(37,373)	(40,450)	(37,373)
Non-controlling interests	(209)	(147)	(209)	(147)
	(40,659)	(37,520)	(40,659)	(37,520)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Financial Position

	Note	As at 31.03.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	A10	159,789	161,871
Investment properties	A10	210,847	210,630
Service concession assets		7,049	14,506
Investment in associates		5	5
Investment in joint venture		482	627
Goodwill		-	1,249
Deferred tax assets		-	2,110
		378,172	390,998
Current assets			
Inventories		191	151
Trade and other receivables		180,541	159,511
Short-term investments		794,560	835,053
Tax recoverable		2,911	2,709
Cash and bank balances		233,300	266,945
		1,211,503	1,264,369
Assets classified as held for sale	A15	24,330	24,834
		1,235,833	1,289,203
TOTAL ASSETS		1,614,005	1,680,201
Equity and liabilities			
Equity attributable to equity owners of the parent			
Share capital		449,284	449,284
Reserves		944,595	985,045
Treasury shares		(5,941)	(5,941)
Shareholders' equity		1,387,938	1,428,388
Non-controlling interest		12,754	12,963
Total equity		1,400,692	1,441,351
Non-current liabilities			
Loans and borrowings	B7	10,854	11,127
Deferred tax liabilities		12,501	12,538
		23,355	23,665
Current liabilities			
Loans and borrowings	B7	1,829	10,940
Trade and other payables		169,253	185,869
Tax payable		2	2
		171,084	196,811
Liabilities classified as held for sale	A15	18,874	18,374
		189,958	215,185
Total liabilities		213,313	238,850
TOTAL EQUITY AND LIABILITIES		1,614,005	1,680,201
Net assets per share attributable to owners of the parent (RM)		3.10	3.19

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Parent →							→		
	← Non-distributable			Distributable						
	Share Capital	Share Premium	Treasury Shares	Foreign Currency Translation Reserves	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months period ended 31 March 2017										
At 1 January 2017	449,284	105,379	(5,941)	9,145	119,719	(20,127)	770,929	1,428,388	12,963	1,441,351
Foreign currency translation	-	-	-	2,271	-	-	-	2,271	38	2,309
Total other comprehensive income	-	-	-	2,271	-	-	-	2,271	38	2,309
Loss for the period	-	-	-	-	-	-	(42,721)	(42,721)	(247)	(42,968)
Total comprehensive income/(expense)	-	-	-	2,271	-	-	(42,721)	(40,450)	(209)	(40,659)
Transfer in accordance with Section 618(2) of the Companies Act 2016	105,379	(105,379)	-	-	-	-	-	-	-	-
N1										
At 31 March 2017	554,663	-	(5,941)	11,416	119,719	(20,127)	728,208	1,387,938	12,754	1,400,692
3 months period ended 31 March 2016										
At 1 January 2016	449,284	105,379	(5,941)	211	119,719	(20,123)	1,029,871	1,678,400	(4,183)	1,674,217
Foreign currency translation	-	-	-	8,165	-	9	-	8,174	(16)	8,158
Total other comprehensive income/(expense)	-	-	-	8,165	-	9	-	8,174	(16)	8,158
Loss for the period	-	-	-	-	-	-	(45,547)	(45,547)	(131)	(45,678)
Total comprehensive income/(expense)	-	-	-	8,165	-	9	(45,547)	(37,373)	(147)	(37,520)
At 31 March 2016	449,284	105,379	(5,941)	8,376	119,719	(20,114)	984,324	1,641,027	(4,330)	1,636,697

N1: In accordance with Section 618 of the Companies Act, 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit on or before 30 January 2019 (24 months from commencement of section 74) in accordance with Section 618(3) of the Companies Act, 2016.

(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 2016 and the accompanying explanatory notes attached to the interim financial statements.)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Cash Flow

	3 months ended 31.03.2017	3 months ended 31.03.2016
Note	RM'000	RM'000
	Unaudited	Unaudited
<u>Continuing operations</u>		
Cash flow from operating activities		
Receipts from customers	8,625	33,937
Other income	437	548
Payments for operating expenses	(40,528)	(58,314)
Payments to contractors	(39,703)	(14,611)
Cash used in operations	<u>(71,169)</u>	<u>(38,440)</u>
Tax paid	(502)	(101)
Interest received	2,196	2,371
Net cash used in operating activities	<u>(69,475)</u>	<u>(36,170)</u>
Cash flow from investing activities		
Acquisition of property, plant and equipment	(1,380)	(891)
Net advance to joint venture	(63)	(87)
Disposal of discontinued operations - Proceeds from disposal of investment in subsidiary and joint venture, net of cash and cash equivalents disposed of	-	296
Acquisition of investment properties	(217)	-
Net proceeds from short-term investments	47,250	3,932
Proceeds from disposal of property, plant and equipment	7	95
Net cash generated from investing activities	<u>45,597</u>	<u>3,345</u>
Cash flow from financing activities		
Proceeds from loans and borrowings	-	277
Repayment of loans and borrowings	(8,921)	(9,345)
Repayment of obligation under finance leases	(428)	(373)
Interest paid	(228)	(467)
Net cash used in financing activities	<u>(9,577)</u>	<u>(9,908)</u>
Net decrease in cash and cash equivalents from continuing operations	(33,455)	(42,733)

Puncak Niaga Holdings Berhad (416087-U)
Unaudited First Quarterly Financial Statements Ended 31 March 2017
Condensed Consolidated Statement of Cash Flow

	3 months ended 31.03.2017	3 months ended 31.03.2016
Note	RM'000 Unaudited	RM'000 Unaudited
Discontinued operation		
Net cash used in operating activities	(16)	(420)
Net cash used in investing activities	(2)	(1)
Net cash generated from financing activities	-	1
Net decrease in cash and cash equivalents		
from discontinued operations	(18)	(420)
Net decrease in cash and cash equivalents	(33,473)	(43,153)
Effects of exchange rate on cash and cash equivalents	(192)	(454)
Cash and cash equivalents at beginning of financial period	267,140	378,522
Cash and cash equivalents at end of financial period	<u>233,475</u>	<u>334,915</u>
Cash and cash equivalents comprise:		
Deposits with licensed banks	191,559	270,040
Cash and bank balances	41,948	64,902
	<u>233,507</u>	<u>334,942</u>
Less : pledged deposits	(32)	(27)
	<u>233,475</u>	<u>334,915</u>
 (a) The cash and cash equivalents comprise the following:		
Deposits with licensed banks	191,559	270,040
Cash and bank balances	41,741	63,862
	<u>233,300</u>	<u>333,902</u>
Assets held for sale	207	1,040
	<u>233,507</u>	<u>334,942</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 2016 and the accompanying explanatory notes attached to the interim financial statements.)

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting in Malaysia, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The 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 2016.

A2. Significant Accounting Policies

In the preparation of this condensed consolidated interim financial statements, the accounting policies and the method of computation of the most recent annual financial statements were followed except as disclosed below:-

(a) Adoption of Standards, Amendments and Annual Improvements to Standards

The Group adopted the following Standards, Amendments and Annual Improvements to Standards :-

Description	Effective for annual periods beginning on or after
Amendments to MFRS 12 Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2017
Amendments to MFRS 107 Statements of Cash Flows – Disclosure Initiative	1 January 2017
Amendments to MFRS 112 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

(b) Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but are not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments (2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15 Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140 Investment Property – Transfers of Investment Property	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128 Consolidated Financial Statements, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

The Group is expected to apply the above mentioned pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the above pronouncements.

A3 Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2016 was not qualified.

A4 Seasonal or cyclical factors

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

A5 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 reversal of allowance for foreseeable losses and impairment losses as disclosed in Note A9.

A6 Changes in estimates

There were no significant changes in the estimates of the amount reported in the current financial year-to-date results, except for the reversal of allowance for foreseeable losses and impairment losses as disclosed in Note A9.

A7 Debt and equity securities

There were no significant issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current financial quarter and financial year-to-date.

A8 Dividend paid

There was no dividend paid during the current financial quarter and financial year-to-date (31.03.2016 : RM Nil).

A9 Segment revenue and results

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

a)	Water and Wastewater RM'000	Construction RM'000	Oil and Gas RM'000	Others RM'000	Elimination RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Results for 3 months ended 31 March 2017								
Operating Revenue								
Sales to external customers	8,157	11,994	-	165	-	20,316	130	20,446
Finance income	-	-	96	1,868	-	1,964	-	1,964
Other income	-	30	-	31,117	(24,241)	6,906	-	6,906
	8,157	12,024	96	33,150	(24,241)	29,186	130	29,316
Operating expenses	(7,067)	(29,144)	(3,079)	(44,038)	24,241	(59,087)	(540)	(59,627)
Impairment loss on service concession assets	(7,198)	-	-	-	-	(7,198)	-	(7,198)
Impairment loss on goodwill	-	(1,090)	-	(159)	-	(1,249)	-	(1,249)
Reversal of allowance for foreseeable losses	-	2,866	-	-	-	2,866	-	2,866
Share of results of equity accounted entities	-	-	-	(207)	-	(207)	-	(207)
Amortisation and depreciation	(243)	(182)	(592)	(2,228)	-	(3,245)	(561)	(3,806)
Segment results	(6,351)	(15,526)	(3,575)	(13,482)	-	(38,934)	(971)	(39,905)
Finance costs						(627)	(38)	(665)
Loss before tax						(39,561)	(1,009)	(40,570)
Results for 3 months ended 31 March 2016								
Operating Revenue								
Sales to external customers	2,779	10,221	-	93	-	13,093	107	13,200
Finance income	-	-	593	2,170	-	2,763	-	2,763
Other income	497	28	89	28,439	(19,611)	9,442	204	9,646
	3,276	10,249	682	30,702	(19,611)	25,298	311	25,609
Operating expenses	(2,383)	(22,190)	(7,730)	(52,242)	19,611	(64,934)	(759)	(65,693)
Amortisation and depreciation	(247)	(139)	(1,615)	(1,615)	-	(3,616)	(656)	(4,272)
Segment results	646	(12,080)	(8,663)	(23,155)	-	(43,252)	(1,104)	(44,356)
Finance costs						(784)	(37)	(821)
Loss before tax						(44,036)	(1,141)	(45,177)

b)	Water and Wastewater RM'000	Construction RM'000	Oil and Gas RM'000	Others RM'000	Elimination RM'000	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
Assets and Liabilities								
As at 31 March 2017								
Segment assets	21,326	120,811	67,440	1,778,276	(401,089)	1,586,764	24,330	1,611,094
Unallocated assets						2,911	-	2,911
Total assets						1,589,675	24,330	1,614,005
Segment liabilities	6,035	241,740	15,232	272,592	(353,663)	181,936	18,874	200,810
Unallocated liabilities						12,503	-	12,503
Total liabilities						194,439	18,874	213,313
Assets and Liabilities								
As at 31 March 2016								
Segment assets	47,941	76,656	157,016	1,847,558	(393,964)	1,735,207	46,528	1,781,735
Unallocated assets						27,733	-	27,733
Total assets						1,762,940	46,528	1,809,468
Segment liabilities	54,237	94,884	157,780	164,845	(356,216)	115,530	47,577	163,107
Unallocated liabilities						9,678	-	9,678
Total liabilities						125,208	47,577	172,785

A10 Valuation of property, plant and equipment and investment properties

The valuation of property, plant and equipment and investment properties had been brought forward without amendment from the latest audited annual financial statements.

A11 Subsequent events

- a) On 17 April 2017, the Board of Directors announced that Danau Semesta Sdn. Bhd. ("Purchaser") and Shin Yang Holding Sendirian Berhad ("Vendor") have mutually agreed to extend the Cut-Off-Date as provided in the Sale and Purchase Agreement dated 17 October 2016 to fulfill or waive the Conditions Precedent of the SPA from 17 April 2017 to 17 July 2017.
- b) On 28 April 2017, the Board of Directors announced that the application in respect of the Proposed Acquisition by Puncak Niaga of the entire issued and paid-up share capital of TRPlc Berhad from Pimpinan Ehsan Berhad for a cash consideration of RM210 million has been submitted to the Securities Commission Malaysia.
- c) On 11 May 2017, the Company informed the Exchange that pursuant to the Equity Transfer Agreement executed on 15 December 2016, the regulatory authority in the People's Republic of China had on 10 May 2017 issued the Business License approving the transfer of 93.81% equity interest in Luwei (Pingdingshan) Water Co., Ltd ("Luwei Co Ltd") held by Sino Water Pte Ltd to Lushan County Chengnan Water Co., Ltd. Accordingly, Luwei Co Ltd had ceased to be a subsidiary of Sino Water Pte Ltd with effect from 10 May 2017.
- d) On 23 May 2017, the Board of Directors announced that the Company's 98.65% subsidiary, Sino Water had issued a Notice of Termination to Zhonghuan Hengrun, the Purchaser identified by Laodian Government, for the proposed disposal of Sino Water's entire equity interest in Xinnuo Co Ltd as Zhonghuan Hengrun had failed to fulfill the terms of the Framework Agreement dated 31 October 2016 ("FA"). Pursuant to the FA, Laodian Government shall identify a new purchaser to acquire the entire equity interest in Xinnuo Co. Ltd.

The Company's 98.65% subsidiary, Sino Water Pte Ltd ("Sino Water" or "the Vendor") had on 23 May 2017 entered into a new Framework Agreement ("FA") with Laodian Town People's Government ("Laodian Government"), Binzhou Haifu Water Co., Ltd ("Binzhou Haifu" or the "Purchaser") and Yangxin County Chenlou Industrial & Commercial Park Wastewater Treatment Plant ("Chenlou WWTP") for the Proposed Disposal of Xinnuo Co Ltd to Binzhou Haifu, the newly identified entity by Laodian Government for a total cash consideration of RMB350,000.00 only (equivalent to RM220,500.00) ("Proposed Disposal").

Save as disclosed above, there were no other 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.

A12 Changes in the composition of the Group

There were no other changes in the composition of the Group during the current financial quarter and financial year-to-date.

A13 Contingent liabilities and contingent assets

Save as disclosed in Note B9 Material Litigation, there were no other material contingent liabilities and contingent assets as at 31 March 2017.

A14 Other material disclosures**a) Revenue**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 3 months ended 31.03.2017 RM'000	Preceding Year Corresponding Quarter 3 months ended 31.03.2016 RM'000	Current Year To date 3 months ended 31.03.2017 RM'000	Preceding Year Corresponding Period 3 months ended 31.03.2016 RM'000
Water and wastewater revenue	8,157	2,779	8,157	2,779
Construction revenue	11,994	10,221	11,994	10,221
Others	165	93	165	93
	20,316	13,093	20,316	13,093

b) Commitments

Other than those described in Notes B6 (a) and B6 (b), the following are the commitments of the Group:-

	As at 31.03.2017 RM'000
Capital expenditure:	
Contracts approved and contracted for	712

c) Acquisition and disposal of property, plant and equipment

	3 months ended 31.03.2017		
	At cost RM'000	Accumulated Depreciation RM'000	Net Book Value RM'000
Acquisition	1,380	18	1,362
Disposal	(19)	(12)	(7)

A15 Discontinued operation

On 13 July 2016, the Company's 98.65% subsidiary, Sino Water Pte Ltd and Environmental Holding Pte Ltd had entered into a Framework Agreement with Lushan County People's Government for the proposed disposal of the entire equity interests in Luwei (Pingdingshan) Water Co., Ltd to Lushan County Chengnan Water Co., Ltd, a state-owned enterprise at zero cash consideration and a settlement sum of RMB10.0 million (equivalent to approximately RM6.4 million) only to be paid to Sino Water and its subsidiary for repayment of the outstanding shareholder loans and outstanding consultancy service fees (the "Proposed Disposal").

The Proposed Disposal was completed on 10 May 2017 as disclosed in Note A11(c). As at 31 March 2017, Luwei was classified as held for sale and as discontinued operation. The comparative consolidated Statements of Profit or Loss have been represented to show the discontinued operation separately from the continuing operations.

The loss after tax from discontinued operation is as follows :

	31.03.2017	31.03.2016
	RM'000	RM'000
Revenue	130	107
Other income	-	204
Operating expenses	(540)	(759)
Depreciation and amortisation expenses	(561)	(656)
Finance costs	(38)	(37)
Loss after tax from discontinued operation	<u>(1,009)</u>	<u>(1,141)</u>

Assets and liabilities classified as held for sale are as follows :

	31.03.2017	31.12.2016
	RM'000	RM'000
Assets		
Property, plant and equipment	309	323
Service concession assets	23,672	24,146
Trade and other receivables	127	118
Inventories	15	20
Cash and bank balances	207	227
	<u>24,330</u>	<u>24,834</u>
Liabilities		
Loans and borrowings	(14,453)	(14,600)
Trade and other payables	(4,421)	(3,774)
	<u>(18,874)</u>	<u>(18,374)</u>

A16 Financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The following are the analysis of the carrying amount and fair value of those financial instruments not carried at fair value. These fair values are categorised under Level 3 of the fair value hierarchy.

	Carrying amount	Fair value	Carrying amount	Fair value
	31.03.2017	31.03.2017	31.12.2016	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Financial liabilities :				
Loans and borrowings	<u>(12,683)</u>	<u>(12,000)</u>	<u>(22,067)</u>	<u>(21,493)</u>

Short-term investment of the Group and of the Company amounted to RM794,560,000 (31.12.2016 : RM835,053,000) which is carried at fair value is categorised as fair value through profit and loss ("FVTPL") financial assets under Level 2 of the fair value hierarchy.

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities using discounted cash flow method.

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

B1 Review of performance

For the current financial quarter and financial year-to-date, the Group recorded revenue of RM20.3 million compared to RM13.1 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing an increase of RM7.2 million or 55.0% mainly due to higher revenue contribution from the Construction and Water and Wastewater segments.

The Group recorded loss before tax ("LBT") of RM39.6 million for the current financial quarter and current financial year-to-date as compared to LBT of RM44.0 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing a positive variance of RM4.4 million or 10.0%. The lower LBT reported in the current quarter was mainly due to lower operating expenses, partly offset by recognition of impairment loss on service concession assets.

The review of the Group's performance by each segment is as follows:

(a) Water and Wastewater :

The Water and Wastewater segment reported loss before interest and tax ("LBIT") of RM6.4 million in the current financial quarter and financial year-to-date compared to profit before interest and tax ("PBIT") of RM0.6 million in the preceding year's corresponding financial quarter and financial year-to-date, representing a negative variance of RM7.0 million. The negative variance is mainly due to the recognition of impairment loss on service concession assets for the wastewater project in Xinnuo Water (Binzhou) Co. Ltd. as a result of the carrying amounts of the service concession assets which exceeded its proposed disposal consideration as stated in the Framework Agreement as disclosed in Note A11(d).

(b) Construction :

The Construction segment reported LBIT of RM15.5 million in the current financial quarter and financial year-to-date as compared to LBIT of RM12.1 million in the preceding year's corresponding financial quarter and financial year-to-date, representing a negative variance of RM3.4 million, mainly due to higher operating expenses.

As the entire anticipated loss in respect of the ongoing sewerage contract has been recognised in the previous financial year as a result of cost increase subsequent to the termination of the previous sub-contractor for non-performance and slow work progress, no further additional loss is recognised during the period under review.

(c) Oil and Gas :

The Oil and Gas segment reported LBIT of RM3.6 million in the current financial quarter and financial year-to-date as compared to LBIT of RM8.7 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing a positive variance of RM5.1 million, mainly due to lower operating expenses following the implementation of the right sizing exercises in the Oil and Gas Division. There is no revenue contribution from the Oil and Gas Division during the period under review.

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

The Group reported LBT of RM39.6 million for the current financial quarter compared to LBT of RM54.1 million in the immediate preceding financial quarter, representing a positive variance of RM14.5 million. The higher LBT reported in the immediate preceding financial quarter was mainly due to recognition of allowance for foreseeable losses in respect of the Construction segment's ongoing sewerage contract and impairment loss on the service concession assets and derrick lay barge, partly offset with the fair value gain on investment properties.

B3 Prospects

The Group is continuously looking to expand its operations in areas related to its core businesses and competencies in the water and wastewater, sewerage, environmental engineering and construction, both locally and abroad as well as exploring opportunities in new business sectors such as oil palm plantation and property development.

On the Water and Wastewater segment, the Group will continue to explore opportunities for water-related projects and introduce measures to upgrade and enhance the water treatment plant's performance and efficiencies with our existing client.

On the Construction segment, the Group will continue to be involved in water and wastewater infrastructure-related projects. The Group is focused on the execution of the sewerage infrastructure contract which has been delayed due to the termination of the previous sub-contractor and will mitigate the cost increase of the project by accelerating works and completing the project within the contract period. Amidst a challenging business environment of the Construction sector, the Group will continue to improve its operational efficiency and plans to tender for projects which fall within our areas of expertise.

On the Oil and Gas segment, the Group maintains a cautious outlook and continues to undertake mitigation measures on risks that had been identified. Nevertheless, the Group remains open to future possibilities and opportunities which may be worthwhile to be considered should there be a rebound in the crude oil price.

The Proposed Acquisition of Danum Sinar Sdn Bhd ("Proposed Acquisition"), an oil palm plantation company, provides an opportunity for the Group to venture into the oil palm plantation sector that has the ability to generate a steady flow and recurring source of income. The Proposed Acquisition is expected to be completed latest by the third quarter of 2017 and is expected to contribute positively to the Group's earnings in the longer term.

B4 Variances from profit forecast and profit guarantee

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

B5 Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	3 months ended 31.03.2017	3 months ended 31.03.2016	3 months ended 31.03.2017	3 months ended 31.03.2016
	RM'000	RM'000	RM'000	RM'000
<u>Continuing operations</u>				
Income tax				
- current year tax expense	(300)	(24)	(300)	(24)
Deferred tax				
- origination and reversal of temporary differences	(2,098)	(477)	(2,098)	(477)
	<u>(2,398)</u>	<u>(501)</u>	<u>(2,398)</u>	<u>(501)</u>

The effective tax rate of the Group for the current financial year-to-date was lower than the Malaysian statutory tax rate mainly due to reversal of temporary differences in respect of prior year.

B6 Status of corporate proposals

- a) On 18 April 2016, the Company had entered into a Heads of Agreement ("HOA") with TRIplc Berhad ("TRIplc") to facilitate discussions and negotiations for a potential acquisition by the Company of the businesses of TRIplc ("Proposed Transaction").

Pursuant to the HOA and a non-disclosure agreement ("NDA") which had also been executed on 18 April 2016, both the Company and TRIplc had agreed to a period of four (4) months from the date of the NDA or such other period as determined by both parties, for TRIplc to provide information concerning TRIplc and its subsidiaries for the Company to evaluate the Proposed Transaction ("Due Diligence Period"). During the Due Diligence Period, the Company shall be granted exclusivity by TRIplc with respect to the Proposed Transaction.

On 17 August 2016, the Company and TRIplc mutually agreed to extend the HOA and the Due Diligence Period under the NDA for a further period of three (3) months, until 17 November 2016 to facilitate the ongoing discussions and negotiations for a potential acquisition by the Company of the businesses of TRIplc.

On 17 November 2016, the Company and TRIplc mutually agreed to further extend the HOA and the Due Diligence Period under the NDA for a further period of three (3) months, until 17 February 2017.

On 16 December 2016, the Company entered into a conditional share sale agreement ("SSA") with Pimpinan Ehsan Berhad to purchase the entire issued and paid-up share capital of TRIplc for a cash consideration of RM210 million only ("Proposed Acquisition").

In conjunction with the Proposed Acquisition, TRIplc will be undertaking an internal reorganisation by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965 ("Act") ("Proposed TRIplc Internal Reorganisation") comprising the following:

(i) a proposed share exchange of the entire issued and fully paid-up share capital of TRIplc with new ordinary shares of RM1.00 each in Pimpinan Ehsan ("Pimpinan Ehsan Shares") on the basis of one (1) new Pimpinan Ehsan Share for every one (1) existing ordinary share of RM1.00 each in TRIplc ("TRIplc Share") held as at the entitlement date to be determined and announced by TRIplc ("Proposed Share Exchange"); and

(ii) a proposed transfer of the listing status of TRIplc to Pimpinan Ehsan and the admission of the Pimpinan Ehsan Shares to the Official List of the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), with the listing of and quotation for all Pimpinan Ehsan Shares on the Main Market of Bursa Securities ("Proposed Transfer of Listing Status to Pimpinan Ehsan").

Upon completion of the Proposed TRIplc Internal Reorganisation, TRIplc will be a wholly-owned subsidiary of Pimpinan Ehsan and Pimpinan Ehsan will assume the listing status of TRIplc's.

On 28 April 2017, the Board of Directors announced that the application in respect of the Proposed Acquisition has been submitted to the Securities Commission Malaysia.

- b) On 17 October 2016, Danau Semesta Sdn Bhd ("DSSB" or "Purchaser"), a 60% owned subsidiary of Murni Estate Sdn Bhd ("MESB"), which in turn is a wholly-owned subsidiary of Puncak had entered into a sale and purchase agreement ("SPA") with Shin Yang Holding Sendirian Berhad ("Vendor") for the Proposed Acquisition of the entire issued and paid-up share capital of Danum Sinar Sdn Bhd ("Danum Sinar") comprising 1,000,000 ordinary shares of RM1.00 each ("Sale Shares") together with the Land and specifically to include estate office building, estate management and staff quarters, guests house, storage and other ancillary facilities relating to the oil palm plantation business. The purchase price for the Sale Shares is RM446,505,690.45 ("Purchase Price") to be fully satisfied in cash, of which 10% deposit sum to be paid within 30 days from the date of the SPA.

DSSB shall obtain funding for the Purchase Price from its shareholders namely MESB which owned 60% of DSSB, Sunshine Upland Sdn Bhd ("SUSB") which owned 30% of DSSB and Astaka Suria Sdn Bhd ("ASSB") which owned 10% of DSSB, and bank borrowings. Each shareholder of DSSB shall contribute proportionately to the capital of DSSB to fund the Purchase Price based on their respective equity interests in DSSB. As Puncak's effective equity interest in DSSB is 60%, the portion of the Purchase Price that Puncak has to contribute to DSSB is RM267,903,414.27 which shall be funded via a combination of internally generated funds and bank borrowings.

The sale and purchase of the Sale Shares herein shall be conditional upon the following conditions precedent ("Conditions Precedent") being fulfilled or waived, as the case may be:

- (i) the completion and satisfactory results of a due diligence review by the Purchaser into, without limitation, the Land, the financial and statutory books and records, taxation matters, assets, liabilities and other affairs of Danum Sinar, including encumbrances affecting the Land;
- (ii) the Purchaser's financier to issue a letter of offer wherein the Purchaser's financier will grant the Purchaser a financing facility on terms and conditions acceptable to the Purchaser for the purchase of the Sale Shares;
- (iii) receipt by the Purchaser of a duly signed audited financial statements for the financial year ended 30 June 2016 of Danum Sinar ("Audited Financial Statements") and a confirmation that the annual general meeting of Danum Sinar for the calendar year of 2016 had been duly convened and held for the purpose of, inter alia tabling the Audited Financial Statements and that the Audited Financial Statements together with the 2016 Annual Return of Danum Sinar have been duly filed by Danum Sinar with the Companies Commission of Malaysia;
- (iv) the third party charge on the Land have been fully discharged;
- (v) the Vendor shall procure at its own costs and expense the provisional title in the name of Danum Sinar for Lot 1 land, Lot 13 land, Lot 14 land and Lot 15 land within 30 days from the date of the SPA or such other extended time as agreed between the parties;
- (vi) the unconditional approvals of such regulatory or any other relevant authority having been obtained for the transactions contemplated herein requiring their approval; and
- (vii) any other approval/consent being obtained from the banks, financiers and creditors of Danum Sinar and/or third parties for the disposal of the Sale Shares.

within 3 months from the date of the SPA with an automatic extension of 3 months and such further extensions of time as may be mutually agreed in writing between the parties ("Cut-Off Date"). In the event that any of the Conditions Precedent is not fulfilled by the Cut-Off Date and the same is not waived, the SPA shall lapse and be of no further effect in accordance with the terms of the SPA and the Vendor or the Vendor's solicitors shall return all moneys received with interest to the Purchaser.

Subject to the terms of the SPA, on completion date, in exchange for the completion documents as set out in the SPA from the Vendors' solicitors to the Purchaser, the Purchaser shall pay to the Vendor the Balance Purchase Price, subject always to any agreed deduction or downward adjustments as provided in the SPA.

On 17 April 2017, the Board of Directors announced that DSSB and the Vendor had on even date mutually agreed to extend the Cut-Off-Date as provided in the SPA to fulfil or waive the Conditions Precedent of the SPA from 17 April 2017 to 17 July 2017.

Save as disclosed above, there are no other corporate proposals announced as at the date of this report.

B7 Loans and borrowings

Details of the Group's loans and borrowings as at 31 March 2017 are as follows:-

	Current RM'000	Non-current RM'000
Secured		
Term loans	643	6,717
Obligation Under Finance Leases	1,186	4,137
	<u>1,829</u>	<u>10,854</u>

All loans and borrowings are denominated in Ringgit Malaysia.

B8 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.

B9 Material litigation

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

a) **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 totalling 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.

The continued hearing date for the First Arbitration Proceedings were fixed on 31 August 2013, 28 September 2013 and 29 September 2013, 9 November 2013 and 10 November 2013.

At the hearing held on 10 November 2013, the Arbitration Panel has tentatively fixed the continued hearing of the First Arbitration Proceedings on 4 January 2014 and 5 January 2014.

The continued hearing tentatively scheduled on 4 January 2014 and 5 January 2014 did not proceed as scheduled.

On 29 January 2014, the Arbitration Panel had fixed the continued hearing of the First Arbitration Proceedings on 8 February 2014 and 9 February 2014, respectively.

The continued hearing proceeded on 8 February 2014 but the hearing date of 9 February 2014 was vacated due to non-availability of the Chief Arbitrator. The Arbitration Panel has fixed the continued hearing dates for the First Arbitration Proceedings on 29 May 2014 and 30 May 2014.

The hearing for the First Arbitration Proceedings fixed on 29 May 2014 and 30 May 2014 did not proceed as scheduled and was fixed by the Arbitration Panel on 4 July 2014 to be fixed on 16 August 2014 and 17 August 2014.

The hearing of the First Arbitration Proceedings fixed on 16 August 2014 and 17 August 2014 proceeded as scheduled.

The Arbitration Panel has tentatively fixed the next continued hearing dates on 24 October 2014 and 25 October 2014.

The hearing of the First Arbitration Proceedings fixed on 24 October 2014 and 25 October 2014 proceeded as scheduled.

On 17 November 2014, the Arbitration Panel has fixed the continued hearing dates for the First Arbitration Proceedings on 6 and 7 December 2014 respectively.

On 26 November 2014, the Arbitration Panel has rescheduled the continued hearing dates for the First Arbitration Proceedings originally scheduled on 6 December 2014 and 7 December 2014 to 24 January 2015 and 25 January 2015, respectively.

On 7 January 2015, the Arbitration Panel postponed the continued hearing dates for the First Arbitration Proceedings originally scheduled on 24 January 2015 and 25 January 2015. The Panel has yet to schedule new dates for the continued hearing.

On 14 December 2015, the counsel of the Consortium notified the Presiding Arbitrator that the Arbitrator in charge unable to continue as Arbitrator in view of his continued ill-health. An alternative Arbitrator will be appointed in due course. The Panel has yet to schedule new dates for the continued hearing for the First Arbitration Proceedings.

On 3 March 2016, the name of the replacement Arbitrator had been submitted by the counsel of the Consortium to the Panel for consideration and decision. The Panel has yet to schedule new dates for the continued hearing for the First Arbitration Proceedings.

On 20 April 2016, the name of the replacement Arbitrator had been accepted by the Panel. The Panel has yet to schedule new dates for the continued hearing for the First Arbitration Proceedings.

On 2 June 2016, KHEC's Arbitrator had resigned and a new arbitrator has been nominated for the Panel's consideration and decision before the Panel schedules new dates for the continued hearing for the First Arbitration Proceedings.

On 11 July 2016, the Panel fixed 30 July 2016 for the continued hearing of the First Arbitration Proceedings.

At the hearing on 30 July 2016, the Panel fixed 17 September 2016 and 18 September 2016 for the continued hearing of the First Arbitration Proceedings.

On 19 September 2016, the Company updated that the hearing of the First Arbitration Proceedings will be continued on 2 October 2016.

On 4 October 2016, the Company updated that the hearing of the First Arbitration Proceedings will be continued on 12 November 2016 and 13 November 2016.

On 11 November 2016, the Company notified that the hearing fixed on 11 November 2016 and 12 November 2016 have been cancelled as the Chief Arbitrator has resigned recently due to health reasons. The remaining Panel is in the process of selecting a suitable replacement for the Chief Arbitrator before the Panel schedules the new dates for the continued hearing for the First Arbitration Proceedings.

On 21 November 2016, the Company was notified that the Panel has approved the replacement for the Chief Arbitrator for the First Arbitration Proceedings. The new dates for the continued hearing for the First Arbitration Proceedings has yet to be scheduled by the Panel.

On 4 January 2017, the Company was notified that the Panel has fixed the continued hearing for the First Arbitration Proceedings on 10 January 2017.

On 11 January 2017, the Company was notified at the hearing held on 10 January 2017 that the Chief Arbitrator had withdrawn himself from the Panel and the remaining Panel will have to find a replacement for the Chief Arbitrator before the Panel schedules new dates for the continued hearing for the First Arbitration Proceedings.

The newly constituted Panel fixed the hearing for the First Arbitration Proceedings on 7 March 2017, 11 April 2017 and 22 April 2017.

At the hearing held on 11 April 2017, the Panel fixed the next continued hearing date of the First Arbitration Proceedings on 17 June 2017 and vacated the earlier date fixed on 22 April 2017.

b) **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. Subsequently, KHEC had filed in an amended claim for damages and lost of profit from Rs5,44,32,916 to Rs55,44,32,916 (equivalent to approximately RM44.3 million). PNHB-Lanco's counsel had filed an interim application to dismiss the claim of Rs50,00,00,000 (equivalent to approximately RM39.9 million) for compensation for loss of opportunity on the basis that it is frivolous and unreasonable.

The Second Arbitration proceedings which were heard by a single arbitrator have been completed wherein the parties have submitted their respective written submissions on 1 December 2012.

On 1 April 2013, PNHB-Lanco members of the Consortium received the Arbitrator's Final Award dated 29 March 2013 wherein the PNHB-Lanco members of the Consortium are to pay interest for the delayed payment of enabling cost of Rs.58 Lakhs amounting to Rs14,62,503 (approximately RM83,627.38) only to the claimant, KHEC Heavy Engineering and Construction Sdn Bhd on or before 30 April 2013 and all other claims by the claimant were rejected.

PNHB-Lanco member of consortium had on 27 April 2013 complied with the Final Award of the Arbitration dated 29 March 2013 by paying the interest for the delayed payment of enabling cost of Rs.58 Lakhs amounting to Rs.14,62,503 to KHEC.

KHEC had informed the Company of its intention to challenge the Final Award of the Arbitrator dated 29 March 2013. However, as of to-date, no documents have been served by KHEC on the PNHB-LANCO members of the Consortium.

The claimant, KHEC Heavy Engineering & Construction Sdn Bhd had on 4 November 2013 served the PNHB-LANCO members of the Consortium with a copy of the Petition filed at the Madras High Court to appeal against the decision of the Arbitrator dated 29 March 2013. The Madras High Court had fixed the Petition for hearing on 2 December 2013.

On 2 December 2013, the Madras High Court postponed the hearing of the Petition filed by KHEC to 3 December 2013.

On 3 December 2013, the Madras High Court fixed the continued hearing of the Petition filed by KHEC on 10 December 2013.

On 10 December 2013, the Madras High Court postponed the hearing of the Petition filed by KHEC, wherein the new hearing date had yet to be fixed by the Madras High Court.

(2) Pengurusan Air Selangor Sdn Bhd ("PASSB")

Shah Alam High Court Suit No: BA-22NCVC-228-04/2017 Pengurusan Air Selangor Sdn Bhd vs Puncak Niaga Holdings Berhad & 5 Others ("the Suit")

The Company had, on the evening of 9 May 2017, received a sealed copy of the Amended Writ together with an Amended Statement of Claim both dated 28 April 2017 from the solicitors of PASSB.

The Suit arose from alleged breaches on the Sale and Purchase Agreement dated 11 November 2014 ("SPA") between the Company and PASSB relating to the disposals by the Company of the entire equity interest and cumulative convertible redeemable preference shares held in Puncak Niaga (M) Sdn Bhd ("PNSB") and 70% equity interest and RM212.0 million nominal value of redeemable convertible loan stocks held in Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") to PASSB for RM1,555.3 million in line with the consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya by the State Government and the Federal Government. The disposals of PNSB and SYABAS were completed on 15 October 2015.

In the Suit, the Company is named as the First Defendant.

The relief sought by PASSB against the Company is as follows:-

- (i) a sum of RM63,237,583.05 ("Sum") to be paid within 14 days from the date of the Honourable Court judgment.
- (ii) interests on the Sum at the rate of 5% per annum to be calculated from 22 August 2016 until full payment thereof.
- (iii) a declaration that the Company continues to indemnify PASSB for all losses which arises after the filing of this claim that PASSB may suffer as a result of the breaches in this action, including but not limited to future RPGT relation to the transfer of properties of PNSB to the Company Group under the SPA.
- (iv) general damages to be assessed ("Assessed Damages") and interests on the Assessed Damages at the rate of 5% per annum to be calculated from the date of assessment until full payment thereof.
- (v) an order that the Company do deliver to PASSB the original or photocopies of PNSB's documents within seven (7) days from the date of the Honourable Court order.
- (vi) costs and interests at the rate of 5% and other reliefs or orders that the Honourable Court may deem fit and proper to grant.

The alleged breaches are said to arise from a breach of the SPA, amongst others, Clauses 7.2(c), 7.2(d) and the Representations and Warranties of Puncak in Schedule 2, Clause 10.1.5.

The Sum of RM63,237,583.05 is made out of, amongst others, alleged payments made in respect of the Non-CA Related Business.

The Company had instructed its solicitors to contest the matter and to file an appearance at the pre-trial case management on 17 May 2017.

On 17 May 2017, the Court has fixed another pre-trial case management on 18 July 2017. Meanwhile, the Company has filed an appearance on 16 May 2017 and its Defence is due by 23 June 2017.

Pending the outcome of the Suit, there is no financial impact on the Group. There is also no operational impact on the Group.

(3) Puncak Niaga Construction Sdn Bhd ("PNCSB")

Five (5) Notices of Adjudication issued under the Construction Industry Payment & Adjudication Act 2012, ("CIPAA") to the Company's wholly-owned subsidiary, PNCSB.

(a) Notice of Adjudication dated 27 May 2016 issued under CIPAA to PNCSB.

On 27 May 2016, the Company's wholly-owned subsidiary, PNCSB had received a Notice of Adjudication dated 27 May 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 of the CIPAA from its sub-contractor, Genbina Sdn Bhd ("Genbina").

The details of the Notice of Adjudication are as follows: -

(i) PNCSB's sub-contractor, Genbina had issued a Notice of Adjudication dated 27 May 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA against PNCSB on 27 May 2016 for the sum of RM6,169,197.67 for the project "Pakej D44 - Pembinaan Rangkaian Paip Pembetulan Di Bunus, Kuala Lumpur (Reka Dan Bina)" ("D44 Project") together with interest, cost and/or any other relief against PNCSB in relation to the alleged payment claims as may be appropriate.

(ii) PNCSB had instructed its solicitors to contest the matter.

On 30 June 2016, an adjudicator had been appointed by the Director of Kuala Lumpur Regional Centre For Arbitration ("KLRCA") in respect of the Notice of Adjudication dated 27 May 2016.

(b) Notice of Adjudication dated 27 May 2016 issued under CIPAA to PNCSB.

On 27 May 2016, the Company's wholly-owned subsidiary, PNCSB had received a Notice of Adjudication dated 27 May 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 of the CIPAA from its sub-contractor, Genbina.

The details of the Notice of Adjudication are as follows: -

(i) PNCSB's sub-contractor, Genbina had issued a Notice of Adjudication dated 27 May 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA against PNCSB on 27 May 2016 for the sum of RM5,022,336.65 for the D44 Project together with interest, cost and/or any other relief against PNCSB in relation to the alleged payment claims as may be appropriate.

(ii) PNCSB had instructed its solicitors to contest the matter.

On 30 June 2016, an adjudicator had been appointed by the Director of KLRCA in respect of the Notice of Adjudication dated 27 May 2016.

(c) Notice of Adjudication dated 14 June 2016 issued under CIPAA to PNCSB.

On 14 June 2016, PNCSB had received a Notice of Adjudication dated 14 June 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under the CIPAA from its previous sub-contractor, Genbina.

The details of the Notice of Adjudication are as follows: -

(i) Genbina had issued a Notice of Adjudication dated 14 June 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA against PNCSB on 14 June 2016 for the sum of RM4,529,523.04 for the D44 Project together with interest, cost and/or other relief against PNCSB in relation to the alleged payment claims as may be appropriate.

(ii) PNCSB had instructed its solicitors to contest the matter.

On 27 July 2016, an adjudicator had been appointed by the Director of KLRCA in respect of the Notice of Adjudication dated 14 June 2016.

On 15 March 2017, the Company announced the following:-

- (i) That PNCSB had successfully defended a substantial portion of Genbina's claims in relation to Adjudications (for the two (2) Notices of Adjudication dated 27 May 2016 and one (1) Notice of Adjudication dated 14 June 2016) whereby PNCSB was only required to pay Genbina RM5,906,394.10, (inclusive interests and costs) out of a principal claim sum of RM15,721,057.36.
- (ii) That on 8 March 2017, PNCSB entered into a consent order with Genbina and its financier cum co-plaintiff, Malaysia Debt Ventures Berhad ("MDV") in relation to Genbina's application to enforce the Adjudication Award in the Kuala Lumpur High Court Originating Summons No. WA-24C-155-12/2016 that the adjudicated sums for the sum of RM5,906,394.10 will be paid to MDV on or before 15 March 2017 upon MDV's undertaking to refund the same to PNCSB in the event PNCSB is successful in the arbitration against Genbina. This said sum had been remitted to MDV by PNCSB's solicitors on 14 March 2017.

(d) Notice of Adjudication dated 12 July 2016 issued under CIPAA to PNCSB.

On 12 July 2016, PNCSB had received a Notice of Adjudication dated 12 July 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA from Genbina.

The details of the Notices of Adjudication are as follows: -

- (i) Genbina had issued a Notice of Adjudication dated 12 July 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA against PNCSB on 12 July 2016 for the sum of RM3,546,977.09 for the D44 Project together with interest, cost and/or other relief against PNCSB in relation to the alleged payment claims as may be appropriate.
- (ii) PNCSB had instructed its solicitors to contest the matter.

On 2 September 2016, an adjudicator had been appointed by the Director of KLRCA in respect of the Notice of Adjudication dated 12 July 2016.

(e) Notice of Adjudication dated 16 August 2016 issued under CIPAA to PNCSB.

On 17 August 2016, PNCSB had received a Notice of Adjudication dated 16 August 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under the CIPAA from Genbina.

The details of the Notice of Adjudication are as follows: -

- (i) Genbina had issued a Notice of Adjudication dated 16 August 2016 to refer disputes arising from alleged payment claims under Sections 7 and 8 under CIPAA against PNCSB on 17 August 2016 for the sum of RM3,775,805.83 for the D44 Project together with interest, cost and/or other relief against PNCSB in relation to the alleged payment claim as may be appropriate.
- (ii) PNCSB had instructed its solicitors to contest the matter.

On 19 September 2016, an adjudicator had been appointed by the Director of KLRCA in respect of the Notice of Adjudication dated 16 August 2016.

On 15 March 2017, the Company announced that Genbina's remaining adjudications to PNCSB (for the two (2) Notices of Adjudication dated 12 July 2016 and 16 August 2016) whereby Genbina had claimed for a principal claim sum of RM7,322,782.92 had been dismissed in total with a combined costs of RM158,000.00 awarded in PNCSB's favour.

(4) Two (2) Notices of Arbitration issued under the KLRCA in accordance with the Arbitration Act 2005 and Arbitration (Amendment) Act 2011 to PNCSB.

(a) Notice of Arbitration dated 17 June 2016 issued under KLRCA in accordance with the Arbitration Act 2005 and Arbitration (Amendment) Act 2011 to PNCSB.

On 20 June 2016, PNCSB had received a Notice of Arbitration dated 17 June 2016 from Genbina to refer the disputes or differences arising from the termination of the contract contained in a Letter of Award and its Addendums ("Contract") and an Operate, Maintain and Service Agreement under the Contract ("OMSA") for the D44 Project to arbitration under KLRCA in accordance to the Arbitration Act 2005 and the Arbitration (Amendment) Act 2011 for the alleged sum of RM119,699,168.11 together with the damages, interest, costs as such other relief as the learned arbitrator deems fit or proper and PNCSB has instructed its solicitor to contest the matter.

On 18 July 2016, PNCSB had issued a response to Genbina's Notice of Arbitration dated 17 June 2016 through its solicitors. In summary, PNCSB's response denied the claims asserted by Genbina in its Notice of Arbitration dated 17 June 2016 as well as raised numerous set-offs and/or counterclaim against Genbina's claims in its Notice of Arbitration dated 17 June 2016.

(b) Notice of Arbitration dated 17 June 2016 issued under the KLRCA in accordance with the Arbitration Act 2005 and Arbitration (Amendment) Act 2011 to PNCSB.

On 20 June 2016, PNCSB had received a Notice of Arbitration dated 17 June 2016 from Genbina to refer the disputes or differences arising from the termination of the Contract and an OMSA for the D44 Project to arbitration under KLRCA in accordance to the Arbitration Act 2005 and the Arbitration (Amendment) Act 2011 for the alleged sum of RM24,171,671.43 together with the damages, interest, costs as such other relief as the learned arbitrator deems fit or proper and PNCSB has instructed its solicitor to contest the matter.

On 18 July 2016, PNCSB had issued a response to Genbina's Notice of Arbitration dated 17 June 2016 through its solicitors. In summary, PNCSB's response denied the claims asserted by Genbina in its Notice of Arbitration dated 17 June 2016 as well as raised numerous set-offs and/or counterclaim against Genbina's claims in its Notice of Arbitration dated 17 June 2016.

(5) Three (3) Notices of Arbitration issued under the KLRCA in accordance with the Arbitration Act 2005 and Arbitration (Amendment) Act 2011 by, PNCSB.

PNCSB had on 18 July 2016 issued three (3) separate Notices of Arbitration dated 18 July 2016 to Genbina to refer the disputes or differences arising from the termination of the Contract, an OMSA and Workers' Agreement dated 12 October 2015 ("Workers' Agreement") relating to the D44 Project to arbitration.

The details of the Notices of Arbitration dated 18 July 2016 issued by PNCSB to Genbina are as follows:

- (i) In respect of the Notice of Arbitration arising from the Contract, PNCSB has suffered loss and damage and continues to incur loss and damage arising from Genbina's breaches under the Contract which led to PNCSB's termination of the Contract. PNCSB seeks to recover the loss and damage suffered by PNCSB from Genbina in the arbitration;
- (ii) In respect of the Notice of Arbitration arising from the OMSA, PNCSB has suffered loss and damage and continues to incur loss and damage arising from Genbina's wrongful acts under the OMSA over Genbina's failure to return the Machineries & Equipment belonging to PNCSB under the OMSA, unlawfully removing the said Machineries & Equipment from the D44 Project site and wrongfully detaining them. PNCSB seeks to recover the loss and damage suffered by PNCSB from Genbina in the arbitration; and
- (iii) In respect of the Notice of Arbitration arising from the Workers' Agreement, PNCSB has suffered loss and damage and continues to incur loss and damage arising from Genbina's breach of the Workers' Agreement over Genbina's failure and/or refusal to pay the foreign workers' salaries and to bear all direct and incidental costs for their repatriation, amongst others. PNCSB seeks to recover its loss and damage suffered from Genbina in the arbitration.

PNCSB has asserted that it has suffered losses and damage arising from Genbina's breaches and wrongful acts under the Contract, OMSA and Workers' Agreement and is preparing a counter-claim against Genbina, which PNCSB has assessed and estimated to be in the region of RM155.6 million.

B10 Dividend

No dividend has been proposed or declared for the current financial year-to-date. (2016 : RM Nil)

B11 Loss per share**Basic loss per ordinary share**

Basic loss per share are calculated based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding, excluding treasury shares held by the Company.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year	Preceding Year	Current Year	Preceding Year
		Quarter	Corresponding	to date	Corresponding
		3 months ended	Quarter	3 months ended	Period
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
Loss net of tax attributable to owners of the parent	(RM'000)				
- continuing operations		(41,787)	(44,491)	(41,787)	(44,491)
- discontinued operation		(934)	(1,056)	(934)	(1,056)
		<u>(42,721)</u>	<u>(45,547)</u>	<u>(42,721)</u>	<u>(45,547)</u>
Weighted average number of ordinary shares in issue	('000)	<u>447,247</u>	<u>447,247</u>	<u>447,247</u>	<u>447,247</u>
Basic loss per share	(sen)				
- continuing operations		(9.34)	(9.95)	(9.34)	(9.95)
- discontinued operation		(0.21)	(0.23)	(0.21)	(0.23)
		<u>(9.55)</u>	<u>(10.18)</u>	<u>(9.55)</u>	<u>(10.18)</u>

Diluted loss per ordinary share

The diluted loss per share has not been disclosed as it is anti-dilutive.

B12 Retained earnings

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries :		
- realised	353,007	398,603
- unrealised	36,172	31,941
	<u>389,179</u>	<u>430,544</u>
Less : Consolidation adjustments	339,029	340,385
Total retained earnings	<u>728,208</u>	<u>770,929</u>

By Order of the Board

TAN BEE LIAN (MAICSA 7006285)
LIM SHOOK NYEE (MAICSA 7007640)
LEE SIEW YOKE (MAICSA 7053733)
Secretaries

Shah Alam
30 May 2017