Puncak Niaga Holdings Berhad (416087-U)
Unaudited Second Quarterly Financial Statements Ended 30 June 2017
Condensed Consolidated Statement of Profit or Loss

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
		3 months ended		6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
Continuing operations		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	*A14(a)*	29,625	10,356	49,941	23,449
Other income		8,284	14,882	17,154	26,588
Operating costs		(67,997)	(36,040)	(125,361)	(100,607)
Depreciation and amortisation expenses		(2,741)	(3,261)	(5,743)	(6,629)
Loss from operations		(32,829)	(14,063)	(64,009)	(57,199)
Finance costs		(368)	(604)	(889)	(1,274)
Share of results of equity accounted entities		52	-	(155)	-
Loss before tax	*A9*	(33,145)	(14,667)	(65,053)	(58,473)
Taxation expense	*B5*	(326)	(517)	(2,736)	(1,041)
Loss after tax from continuing operations		(33,471)	(15,184)	(67,789)	(59,514)
Discontinued operations					
Profit/(loss) after tax from discontinued operations	*A15*	3,081	(3,075)	(5,569)	(4,423)
Loss after tax		(30,390)	(18,259)	(73,358)	(63,937)
Attributable to:					
Owners of the parent		(30,380)	(18,257)	(73,101)	(63,804)
Non-controlling interests		(10)	(2)	(257)	(133)
Loss after tax		(30,390)	(18,259)	(73,358)	(63,937)
		sen	sen	sen	sen
Basic loss per share attributable to owners of the parent:	*B11*				
continuing operations		(7.41)	(3.44)	(15.05)	(13.34)
discontinued operation		0.62	(0.64)	(1.30)	(0.92)
		(6.79)	(4.08)	(16.35)	(14.26)

(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 Second Quarterly Financial Statements Ended 30 June 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		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
	Unaudited	Unaudited	Unaudited	Unaudited
Loss after tax	(30,390)	(18,259)	(73,358)	(63,937)
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translation	3,418	(2,565)	5,727	5,593
Total comprehensive expense for the period	(26,972)	(20,824)	(67,631)	(58,344)
Total comprehensive (expense)/income attributable to:				
Owners of the parent	(27,355)	(20,835)	(67,805)	(58,208)
Non-controlling interests	383	11	174	(136)
	(26,972)	(20,824)	(67,631)	(58,344)

(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 Second Quarterly Financial Statements Ended 30 June 2017
Condensed Consolidated Statement of Financial Position

	Note	As at 30.06.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*A10*	155,250	161,871
Investment properties	*A10*	210,913	210,630
Service concession assets		-	14,506
Investment in associates		6	5
Investment in joint venture		534	627
Goodwill		-	1,249
Deferred tax assets		-	2,110
		366,703	390,998
Current assets			
Inventories		245	151
Trade and other receivables		199,608	159,511
Short-term investments		420,714	835,053
Tax recoverable		2,050	2,709
Cash and bank balances		566,799	266,945
		1,189,416	1,264,369
Assets classified as held for sale	*A15*	9,090	24,834
		1,198,506	1,289,203
TOTAL ASSETS		1,565,209	1,680,201
Equity and liabilities			
Equity attributable to equity owners of the parent			
Share capital		554,663	449,284
Reserves		808,593	985,045
Treasury shares		(5,941)	(5,941)
Shareholders' equity		1,357,315	1,428,388
Non-controlling interest		33,832	12,963
Total equity		1,391,147	1,441,351
Non-current liabilities			
Loans and borrowings	*B7*	4,273	11,127
Deferred tax liabilities		10,747	12,538
		15,020	23,665
Current liabilities			
Loans and borrowings	*B7*	1,447	10,940
Trade and other payables		148,726	185,869
Tax payable		2	2
		150,175	196,811
Liabilities classified as held for sale	*A15*	8,867	18,374
		159,042	215,185
Total liabilities		174,062	238,850
TOTAL EQUITY AND LIABILITIES		1,565,209	1,680,201
Net assets per share attributable to owners of the parent (RM)		3.03	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 Second Quarterly Financial Statements Ended 30 June 2017
Condensed Consolidated Statement of Changes in Equity

		Attributable to Owners of the Parent									
		Non-distributable						Distributable			
		Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Foreign Currency Translation Reserves RM'000	Revaluation Reserves RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
6 months period ended 30 June 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		-	-	-	5,296	-	-	-	5,296	431	5,727
Total other comprehensive income		-	-	-	5,296	-	-	-	5,296	431	5,727
Loss for the period		-	-	-	-	-	-	(73,101)	(73,101)	(257)	(73,358)
Total comprehensive income/(expense)		-	-	-	5,296	-	-	(73,101)	(67,805)	174	(67,631)
Transfer in accordance with Section 618(2) of the Companies Act 2016	N1	105,379	(105,379)	-	-	-	-	-	-	-	-
Contribution by and distributions to owners of the Company :											
Subscription of shares by non-controlling interest in a subsidiary		-	-	-	-	-	-	-	-	17,314	17,314
Disposal of subsidiary		-	-	-	(3,092)	-	113	(289)	(3,268)	3,381	113
Total transactions with owners of the Company		-	-	-	(3,092)	-	113	(289)	(3,268)	20,695	17,427
At 30 June 2017		**554,663**	**-**	**(5,941)**	**11,349**	**119,719**	**(20,014)**	**697,539**	**1,357,315**	**33,832**	**1,391,147**
6 months period ended 30 June 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		-	-	-	5,590	-	6	-	5,596	(3)	5,593
Total other comprehensive income/(expense)		-	-	-	5,590	-	6	-	5,596	(3)	5,593
Loss for the period		-	-	-	-	-	-	(63,804)	(63,804)	(133)	(63,937)
Total comprehensive income/(expense)		-	-	-	5,590	-	6	(63,804)	(58,208)	(136)	(58,344)
At 30 June 2016		**449,284**	**105,379**	**(5,941)**	**5,801**	**119,719**	**(20,117)**	**966,067**	**1,620,192**	**(4,319)**	**1,615,873**

N1: In accordance with Section 618(2) 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 Second Quarterly Financial Statements Ended 30 June 2017
Condensed Consolidated Statement of Cash Flow

	Note	6 months ended 30.06.2017 RM'000 Unaudited	6 months ended 30.06.2016 RM'000 Unaudited
Continuing operations			
Cash flow from operating activities			
Receipts from customers		23,898	54,777
Other income		408	572
Payments for operating expenses		(79,348)	(74,161)
Payments to contractors		(88,101)	(31,074)
Cash used in operations		(143,143)	(49,886)
Tax refund		34	615
Interest received		3,766	4,979
Net cash used in operating activities		(139,343)	(44,292)
Cash flow from investing activities			
Acquisition of subsidiaries		-	(996)
Acquisition of property, plant and equipment		(1,317)	(2,628)
Net advance to associate		(1)	(2)
Net advance to joint venture		(62)	(87)
Disposal of discontinued operations - Settlement/proceeds from disposal of investment in subsidiary and joint venture, net of cash and cash equivalents disposed of		6,044	306
Acquisition of investment properties		(283)	(63,713)
Net proceeds from short-term investments		427,077	33,001
Proceeds from disposal of property, plant and equipment		51	95
Net cash generated from/(used in) investing activities		431,509	(34,024)
Cash flow from financing activities			
Proceeds from issuance of share capital in a subsidiary		17,314	-
Repayment of loans and borrowings		(8,787)	(17,394)
Repayment of obligation under finance leases		(1,031)	(550)
Interest paid		(90)	(838)
Net cash generated from/(used in) financing activities		7,406	(18,782)
Net increase/(decrease) in cash and cash equivalents from continuing operations		299,572	(97,098)

<u>Condensed Consolidated Statement of Cash Flow</u>

	Note	6 months ended 30.06.2017 RM'000 Unaudited	6 months ended 30.06.2016 RM'000 Unaudited
Discontinued operation			
Net cash generated from/(used in) operating activities		1,063	(1,159)
Net cash generated from investing activities		-	177
Net cash generated from financing activities		106	287
Net increase/(decrease) in cash and cash equivalents from discontinued operations		1,169	(695)
Net increase/(decrease) in cash and cash equivalents		300,741	(97,793)
Effects of exchange rate on cash and cash equivalents		56	(398)
Cash and cash equivalents at beginning of financial period		267,140	378,522
Cash and cash equivalents at end of financial period		567,937	280,331
Cash and cash equivalents comprise:			
Deposits with licensed banks		509,786	238,664
Cash and bank balances		58,183	41,694
	a	567,969	280,358
Less : pledged deposits		(32)	(27)
		567,937	280,331

(a) The cash and cash equivalents comprise the following:

Deposits with licensed banks	509,786	238,663
Cash and bank balances	57,013	41,178
	566,799	279,841
Assets held for sale	1,170	517
	567,969	280,358

(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) 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

The initial adoption of the above pronouncements did not have any material impact on the interim financial statements of the Group.

(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 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

Description		Effective for annual periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019

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 (30.06.2016 : 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 30 June 2017								
Operating Revenue								
Sales to external customers	8,967	19,858	-	800	-	29,625	55	29,680
Finance income	-	1	74	1,919	-	1,994	1	1,995
Other income	-	119	386	29,328	(23,543)	6,290	1,961	8,251
	8,967	19,978	460	32,047	(23,543)	37,909	2,017	39,926
Operating expenses	(6,613)	(38,786)	(2,830)	(48,056)	23,543	(72,742)	(332)	(73,074)
Impairment loss on service concession assets	-	-	-	-	-	-	1,155	1,155
Reversal of allowance for foreseeable losses	-	4,745	-	-	-	4,745	-	4,745
Share of results of equity accounted entities	-	-	-	52	-	52	-	52
Amortisation and depreciation	-	(176)	(563)	(2,002)	-	(2,741)	323	(2,418)
Segment results	2,354	(14,239)	(2,933)	(17,959)	-	(32,777)	3,163	(29,614)
Finance costs						(368)	(93)	(461)
(Loss)/profit before tax						(33,145)	3,070	(30,075)
Results for 3 months ended 30 June 2016								
Operating Revenue								
Sales to external customers	4,123	6,088	-	145	-	10,356	216	10,572
Finance income	-	-	473	2,003	-	2,476	2	2,478
Other income	(1)	64	4,023	30,836	(22,516)	12,406	(216)	12,190
	4,122	6,152	4,496	32,984	(22,516)	25,238	2	25,240
Operating expenses	(2,077)	(20,520)	(4,945)	(31,014)	22,516	(36,040)	(2,067)	(38,107)
Amortisation and depreciation	-	(139)	(1,473)	(1,649)	-	(3,261)	(884)	(4,145)
Segment results	2,045	(14,507)	(1,922)	321	-	(14,063)	(2,949)	(17,012)
Finance costs						(604)	(148)	(752)
Loss before tax						(14,667)	(3,097)	(17,764)

	Water and Wastewater	Construction	Oil and Gas	Others	Elimination	Continuing operations	Discontinued operation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results for 6 months ended 30 June 2017								
Operating Revenue								
Sales to external customers	17,124	31,852	-	965	-	49,941	185	50,126
Finance income	-	1	170	3,787	-	3,958	1	3,959
Other income	-	149	386	60,445	(47,784)	13,196	1,961	15,157
	17,124	32,002	556	65,197	(47,784)	67,095	2,147	69,242
Operating expenses	(13,575)	(67,930)	(5,909)	(92,093)	47,784	(131,723)	(977)	(132,700)
Impairment loss on service concession assets	-	-	-	-	-	-	(6,043)	(6,043)
Impairment loss on goodwill	-	(1,090)	-	(159)	-	(1,249)		(1,249)
Reversal of allowance for foreseeable losses	-	7,611	-	-	-	7,611	-	7,611
Share of results of joint venture	-	-	-	(155)	-	(155)	-	(155)
Amortisation and depreciation	-	(358)	(1,155)	(4,230)	-	(5,743)	(482)	(6,225)
Segment results	3,549	(29,765)	(6,508)	(31,440)	-	(64,164)	(5,355)	(69,519)
Finance costs						(889)	(237)	(1,126)
Loss before tax						(65,053)	(5,592)	(70,645)
Results for 6 months ended 30 June 2016								
Operating Revenue								
Sales to external customers	6,902	16,309	-	238	-	23,449	323	23,772
Finance income	-	-	1,066	4,173	-	5,239	2	5,241
Other income	(1)	92	4,112	59,273	(42,127)	21,349	487	21,836
	6,901	16,401	5,178	63,684	(42,127)	50,037	812	50,849
Operating expenses	(4,130)	(42,710)	(12,675)	(83,219)	42,127	(100,607)	(3,193)	(103,800)
Amortisation and depreciation	-	(278)	(3,088)	(3,263)	-	(6,629)	(1,788)	(8,417)
Segment results	2,771	(26,587)	(10,585)	(22,798)	-	(57,199)	(4,169)	(61,368)
Finance costs						(1,274)	(299)	(1,573)
Loss before tax						(58,473)	(4,468)	(62,941)

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 30 June 2017								
Segment assets	20,850	135,073	61,290	2,088,911	(752,055)	1,554,069	9,090	1,563,159
Unallocated assets						2,050	-	2,050
Total assets						1,556,119	9,090	1,565,209
Segment liabilities	685	267,693	13,627	257,441	(385,000)	154,446	8,058	162,504
Unallocated liabilities						10,749	809	11,558
Total liabilities						165,195	8,867	174,062
Assets and Liabilities								
As at 30 June 2016								
Segment assets	70,624	70,819	144,951	1,847,170	(429,815)	1,703,749	23,985	1,727,734
Unallocated assets						26,516	-	26,516
Total assets						1,730,265	23,985	1,754,250
Segment liabilities	91,713	101,733	144,702	173,466	(391,144)	120,470	8,184	128,654
Unallocated liabilities						8,921	802	9,723
Total liabilities						129,391	8,986	138,377

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 October 2016, Danau Semesta Sdn Bhd ("Danau Semesta" or "Purchaser"), a 60% owned subsidiary of Murni Estate Sdn Bhd ("MESB"), which in turn is a wholly-owned subsidiary of Puncak entered into a sale and purchase agreement ("SPA") with Shin Yang Holding Sendirian Berhad ("SYHSB" or "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 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 (“Sale Shares”). 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 is to be paid within 30 days from the date of the SPA ("Proposed Acquisition of Danum Sinar").

On 17 April 2017, the Board of Directors announced that Danau Semesta and SYHSB had mutually agreed to extend the Cut-Off-Date as provided in the SPA dated 17 October 2016 to fulfill or waive the Conditions Precedent of the SPA from 17 April 2017 to 17 July 2017.

On 5 June 2017, the Board of Directors announced that Danau Semesta and SYHSB entered into a second supplemental sale and purchase agreement to amend and vary the terms of the SPA (“Supplemental SPA”), whereby the Purchase Price for the 100% equity interest in Danum Sinar has been reduced from RM446,505,690.45 to RM276,587,523.65.

On the same day, Murni Estate Sdn Bhd ("MESB"), Sunshine Upland Sdn Bhd ("SUSB") and Astaka Suria Sdn Bhd ("ASSB") entered into a supplemental shareholders’ agreement. Pursuant to this agreement, with effect from 28 June 2017, MESB’s equity interest in the Purchaser increased to 90% (from its initial equity holding of 60%) while ASSB’s equity interest in the Purchaser remained unchanged at 10% based on an enlarged share capital of the Purchaser and SUSB ceased to be a shareholder of the Purchaser.

As Puncak’s effective interest in the Purchaser (via MESB) was 90%, the portion of the Purchase Price that Puncak had to contribute to the Purchaser for payment to the Vendor was RM248,928,771.29 (previously RM267,903,414.27), which is to be funded via internally generated funds.

On 3 July 2017, the Board of Directors announced that the Proposed Acquisition of Danum Sinar had been completed following, inter alia, payment of the Balance Purchase Price to the Vendor.

Following the completion of the due diligence verification, the final Purchase Price had been reduced, in accordance with the provisions of the SPA, from RM276,587,523.65 to RM274,734,568.48, based on the final liabilities of Danum Sinar in its management accounts as at 31 March 2017 of RM329,635,831.37 (previously RM327,782,876.20).

Resulting from the completion on 3 July 2017, Danum Sinar became a wholly owned subsidiary of Danau Semesta which in turn becomes a 90% subsidiary of MESB (previously 60%) with ASSB as the remaining 10% shareholder.

(b) On 23 May 2017, the Board of Directors announced that the Company's 98.65% subsidiary, Sino Water Pte Ltd ("Sino Water") had issued a Notice of Termination to Zhonghuan Hengrun (Beijing) Environmental Technology Co., Ltd (“Zhonghuan Hengrun”), the Purchaser identified by Laodian Government, for the proposed disposal of Sino Water's entire equity interest in Xinnuo Water (Binzhou) Co., Ltd (“XINNUO”) 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.

The Company’s 98.65% subsidiary, 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 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”).

Pursuant to the Equity Interest Transfer Agreement executed on 20 June 2017, the regulatory authority in the People’s Republic of China had on 11 July 2017 issued the Business License approving the transfer of 100% equity interest in XINNUO held by Sino Water to Binzhou Haifu.

Accordingly, XINNUO ceased to be a subsidiary of Sino Water Pte Ltd with effect from 11 July 2017.

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

a) On 11 May 2017, the Company informed that pursuant to the Equity Transfer Agreement executed on 15 December 2016 between Sino Water Pte Ltd (“Sino Water”), Environmental Holding Pte Ltd (“EHPL”) and Lushan County Chengnan Water Co., Ltd for the disposal of 93.81% equity interest in Luwei (Pingdingshan) Water Co., Ltd (“LUWEI”), 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”) held by Sino Water Pte Ltd to Lushan County Chengnan Water Co., Ltd. Accordingly, LUWEI ceased to be a subsidiary of Sino Water Pte Ltd with effect from 10 May 2017.

b) On 5 June 2017, Murni Estate Sdn Bhd ("MESB"), Sunshine Upland Sdn Bhd ("SUSB") and Astaka Suria Sdn Bhd ("ASSB") entered into a supplemental shareholders’ agreement. Pursuant to this agreement, MESB’s equity interest in Danau Semesta will increase to 90% (from its current equity holding of 60%) while ASSB’s equity interest in the Purchaser remains unchanged at 10% based on an enlarged share capital of Danau Semesta and SUSB will cease to be a shareholder of Danau Semesta with effect from 28 June 2017.

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

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 30 June 2017.

A14 Other material disclosures

a) Revenue

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Water and wastewater revenue	8,967	4,123	17,124	6,902
Construction revenue	19,858	6,088	31,852	16,309
Others	800	145	965	238
	29,625	10,356	49,941	23,449

b) Commitments

Other than those described in Notes B6 (1) and B6 (2), the following are the commitments of the Group:-

	As at 30.06.2017 RM'000
Capital expenditure:	
Contracts approved and contracted for	607

c) Acquisition and disposal of property, plant and equipment

	6 months ended 30.06.2017		
	At cost RM'000	**Accumulated Depreciation RM'000**	**Net Book Value RM'000**
Acquisition	1,985	85	1,900
Disposal	(337)	(37)	(300)

A15 Discontinued operations/disposal of subsidiary

(a) On 13 July 2016, the Company's 98.65% subsidiary, Sino Water and EHPL entered into a Framework Agreement with Lushan County People's Government for the proposed disposal of the entire equity interests in LUWEI 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 RM6.2 million) only to be paid to Sino Water and its subsidiary for repayment of the outstanding shareholder loans and outstanding consultancy service fees (the "Disposal").

The Disposal was completed on 10 May 2017 as disclosed in Note A12(a). The comparative consolidated Statements of Profit or Loss have been represented to show the discontinued operation separately from the continuing operations.

The profit/(loss) after tax from discontinued operation of LUWEI based on management's best estimates is as follows :

	30.06.2017 RM'000	30.06.2016 RM'000
Revenue	185	323
Other income	-	1
Operating expenses	(764)	(2,601)
Depreciation and amortisation expenses	-	(1,304)
Finance costs	(50)	(72)
Taxation	-	23
Loss after tax from discontinued operation	(629)	(3,630)
Gain on disposal of discontinued operations	1,961	-
Profit/(loss) after tax from discontinued operation	1,332	(3,630)

Effect of disposal on the financial position of the Group :

	RM'000
Property, plant and equipment	313
Service concession assets	23,462
Inventories	8
Trade and other receivables	79
Cash and cash equivalents	183
Trade and other payables	(10,724)
Borrowings	(14,000)
Deferred tax liabilities	(882)
Non-controlling interests	(400)
Net liabilities disposed off	(1,961)
Gain from disposal of discontinued operation	1,961
Cash proceeds from disposal	-
Less: Cash and cash equivalent disposed of	(183)
Settlement sum on disposal	6,227
Net cash inflow on disposal	6,044

(b) On 20 June 2017, the Company's 98.65% subsidiary, Sino Water entered into an Equity Interest Transfer Agreement ("EITA") with Binzhou Haifu for the disposal of 100% equity interest in XINNUO for a total cash consideration of RMB350,000.00 (equivalent to RM220,500.00) only ("Proposed Disposal").

The Proposed Disposal was completed on 11 July 2017 as disclosed in Note A11(b). As at 30 June 2017, XINNUO was classified as held for sale and discontinued operation. The comparative consolidated Statements of Profit or Loss have been represented to show the discontinued operations separately from the continuing operations.

The loss after tax from the discontinued operation of XINNUO based on management's best estimates is as follows :

	30.06.2017 RM'000	30.06.2016 RM'000
Other income	1	488
Impairment loss on assets held for sale	(6,043)	-
Operating expenses	(213)	(592)
Depreciation and amortisation expenses	(482)	(484)
Finance costs	(187)	(227)
Taxation	23	22
Loss after tax from discontinued operation	(6,901)	(793)

The assets and liabilities classified as held for sale of XINNUO, based on management's best estimates are as follows :

	30.06.2017 RM'000	31.12.2016 RM'000
Assets		
Property, plant and equipment	65	323
Service concession assets	7,852	24,146
Trade and other receivables	3	118
Inventories	-	20
Cash and bank balances	1,170	227
	9,090	24,834
Liabilities		
Loans and borrowings	-	(14,600)
Trade and other payables	(8,058)	(3,774)
Deferred tax liabilities	(809)	-
	(8,867)	(18,374)

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 30.06.2017 RM'000	Fair value 30.06.2017 RM'000	Carrying amount 31.12.2016 RM'000	Fair value 31.12.2016 RM'000
Financial liabilities :				
Loans and borrowings	(5,720)	(5,143)	(22,067)	(21,493)

Short-term investment of the Group and of the Company amounted to RM420,714,000 (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 higher revenue of RM29.6 million and RM49.9 million compared to RM10.4 million and RM23.4 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing an increase of RM19.2 million or 184.6% and RM26.5 million or 113.2% respectively. The higher revenue reported was mainly due to higher revenue contribution from the Construction and Water and Wastewater segments.

The Group recorded loss before tax ("LBT") of RM33.1 million and RM65.1 million for the financial quarter and financial year-to-date compared to RM14.7 million and RM58.5 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing a negative variance of RM18.4 million or 125.2% and RM6.6 million or 11.3% respectively. The higher LBT reported in the current quarter and financial year-to-date was mainly due to higher operating expenses.

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

(a) Water and Wastewater :

The Water and Wastewater segment reported profit before interest and tax ("PBIT") of RM2.4 million and RM3.5 million in the current financial quarter and financial year-to-date compared to RM2.0 million and RM2.8 million in the preceding year's corresponding financial quarter and financial year-to-date, representing a positive variance of RM0.4 million or 20.0% and RM0.7 million or 25.0% respectively. The higher PBIT in the current financial quarter and year-to-date was mainly due to higher revenue contribution and lower operating expenses.

(b) Construction :

The Construction segment reported LBIT of RM14.2 million in the current financial quarter as compared to LBIT of RM14.5 million in the preceding year's corresponding financial quarter, representing a positive variance of RM0.3 million or 2.1%, mainly due to the reversal of provision for foreseeable loss in previous year realised upon revenue and cost recognition.

For the current financial year-to-date, the Construction segment reported LBIT of RM29.8 million as compared to LBIT of RM26.6 million in the preceding year's corresponding financial year-to-date, representing a negative variance of RM3.2 million or 12.0%. The higher LBIT reported in the current financial year-to-date was mainly due to higher operating costs, partly offset by the reversal of provision for foreseeable loss in previous year realised upon revenue and cost recognition.

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

(c) Oil and Gas :

The Oil and Gas segment reported LBIT of RM2.9 million and RM6.5 million in the current financial quarter and financial year-to-date as compared to LBIT of RM1.9 million and RM10.6 million reported in the preceding year's corresponding financial quarter and financial year-to-date, representing a negative variance of RM1.0 million or 52.6% and positive variance of RM4.1 million or 38.7% respectively. The higher LBIT for the financial quarter was mainly due to lower other income in the Oil and Gas Division. There was no revenue contribution from the Oil and Gas Division during the period under review. The lower LBIT for the financial year-to-date was mainly due to lower operating expenses in the Oil and Gas Division. There was 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 RM33.1 million for the current financial quarter compared to LBT of RM31.9 million in the immediate preceding financial quarter, representing a negative variance of RM1.2 million or 3.7%. The higher LBT reported in the current financial quarter was mainly due to higher operating costs.

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 new opportunities for water-related projects within the country and the ASEAN region with the prospect for securing new contracts. With regards to its existing business operation, the Group continues to introduce measures to upgrade and enhance the water treatment plant's performance and efficiency of its 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 its 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 posibilities and opportunities which may be worthwhile to be considered should there be a rebound in the crude oil price.

With the completion of the acquisition of Danum Sinar Sdn Bhd, an oil palm plantation company on 3 July 2017, the Group has ventured into the oil palm plantation sector that has the ability to generate a steady flow and recurring source of income which will contribute positively to the Group's earnings in the long term. The Group shall remain cautious in managing the various challenges in the oil palm plantation sector such as fluctuations in crude palm oil prices, labour shortage and weather conditions.

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 **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		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Income tax				
- current year tax expense	(326)	(17)	(626)	(41)
Deferred tax				
- origination and reversal of temporary differences	-	(500)	(2,110)	(1,000)
	(326)	(517)	(2,736)	(1,041)
Discontinued operations				
Deferred tax				
- origination and reversal of temporary differences	11	22	23	45
	(315)	(495)	(2,713)	(996)

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

1) On 18 April 2016, the Company 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 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 had been submitted to the Securities Commission Malaysia.

On 2 June 2017, the Board of Directors announced that the Company had been notified by TRIplc Berhad that it had procured the approval of Unit Kerjasama Awam Swasta for the disposal of the entire equity interest in TRIplc Berhad by Pimpinan Ehsan Berhad, being one of the conditions precedent to be fulfilled by Pimpinan Ehsan Berhad pursuant to the conditional share sale agreement dated 16 December 2016.

The Proposed Acquisition is currently pending the approval of the Securities Commission Malaysia.

2) On 17 October 2016, Danau Semesta Sdn Bhd ("Danau Semesta" or "Purchaser"), a 60% owned subsidiary of Murni Estate Sdn Bhd ("MESB"), which in turn is a wholly-owned subsidiary of Puncak entered into a sale and purchase agreement ("SPA") with Shin Yang Holding Sendirian Berhad ("SYHSB" or "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 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 (“Sale Shares”). 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 is to be paid within 30 days from the date of the SPA ("Proposed Acquisition of Danum Sinar").

The sale and purchase of the Sale Shares herein is 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 Danau Semesta 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.

On 5 June 2017, the Board of Directors announced that Danau Semesta and SYHSB had entered into a second supplemental sale and purchase agreement to amend and vary the terms of the SPA ("Supplemental SPA"), whereby the Purchase Price for the 100% equity interest in Danum Sinar had been reduced from RM446,505,690.45 to RM276,587,523.65.

On the same day, Murni Estate Sdn Bhd ("MESB"), Sunshine Upland Sdn Bhd ("SUSB") and Astaka Suria Sdn Bhd ("ASSB") had also entered into a supplemental shareholders' agreement. Pursuant to this agreement, with effect from 28 June 2017, MESB's equity interest in the Purchaser increased to 90% (from its initial equity holding of 60%) while ASSB's equity interest in the Purchaser remained unchanged at 10% based on an enlarged share capital of the Purchaser and SUSB ceased to be a shareholder of the Purchaser.

As Puncak's effective interest in the Purchaser (via MESB) was 90%, the portion of the Purchase Price that Puncak had to contribute to the Purchaser for payment to the Vendor was RM248,928,771.29 (previously RM267,903,414.27), which is to be funded via internally generated funds.

The changes to the salient terms of the SPA pursuant to the Supplemental SPA are set out below.

(a) Amendments to the Purchase Price

The Purchase Price for the Sale Shares was reduced from RM446,505,690.45 to RM276,587,523.65. The revised Purchase Price of RM276,587,523.65 was arrived at on a willing buyer-willing seller basis and based on the revised value of the Land of RM604,370,399.85 (previously RM735,102,114.25) less the liabilities of Danum Sinar based on its management accounts as at 31 March 2017 of RM327,782,876.20 ("Liabilities"). The Purchase Price is subject to adjustments in accordance with the provisions of the SPA.

The Liabilities comprise the bank borrowings and amount owing to the related companies, the directors and external creditors of Danum Sinar based on the latest available management accounts of Danum Sinar as at 31 March 2017 and is subject to due diligence verification and adjustments. The Vendor shall undertake to fully indemnify and reimburse the Purchaser against all claims and liabilities including any unrecorded liabilities incurred and not reflected in the 31 March 2017 management accounts including any payment of invoices for goods and services consumed by Danum Sinar up to 30 June 2017. In addition, the Purchaser shall cause Danum Sinar to pay the Liabilities (which shall exclude bank borrowings) up to the sum of RM80,000,000.00 within 60 days from the Completion Date on 3 July 2017.

The revised Land value was arrived at based on the following:

(i) the estimated gross land area of the Planted Portion of 9,766.90 hectares at RM16,500.00 per acre (previously at RM18,500.00 per acre) amounting to RM398,211,163.35, subject to the final survey. The Planted Portion consists of the Mature Area and the Immature Area.

(ii) the estimated gross land area of the Unplanted Portion of 33,372.60 hectares at RM2,500.00 per acre (previously at RM3,500.00 per acre) amounting to RM206,159,236.50, based on provisional lease of the Land

The price per acre for the Land was arrived at after taking into consideration the market value of the Land and the negotiations between the Purchaser and the Vendor. Puncak had appointed VPC Alliance (Sarawak) Sdn Bhd to conduct a valuation of the Land owned by Danum Sinar. Based on the valuation report dated 26 May 2017, the market value of the Land is RM800,000,000.00. The Planted Portion is valued at RM19,479 per acre while the Unplanted Portion is valued at RM4,000 per acre. The matured fields are valued based on the investment and comparison methods, the immature fields are valued based on the comparison and cost methods while the remaining land is valued based on the comparison method.

As Puncak's effective interest in the Purchaser (via MESB) was 90%, the portion of the Purchase Price that Puncak has to contribute to the Purchaser for payment to the Vendor was RM248,928,771.29 (previously RM267,903,414.27).

(b) Amendments to the Conditions Precedent for Procurement of Provisional Title

One of the Conditions Precedent of the SPA is that 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. Pursuant to the Supplemental SPA, this clause is now only applicable to Lot 1 land.

In relation to Lot 13 land, Lot 14 land and Lot 15 land totalling 3,531 hectares, it is agreed as a Condition Subsequent that the Vendor has up to 6 months from the Completion Date or such other extended time as agreed between the parties to procure the provisional title in the name of Danum Sinar. If this Condition Subsequent is not met by the cut-off date or waived, the Vendor shall refund the Purchaser a sum calculated based on the value of the hectareage of Lot 13 land, Lot 14 land and Lot 15 land as calculated in accordance with the provisions of the SPA.

(c) Completion Date and Timing of the Payment of the Balance Purchase Price

The Balance Purchase Price, which is subject to adjustments, shall be paid to the Vendor on the Completion Date which is on 3 July 2017 or on such other extended dates mutually agreed by the Purchaser and the Vendor in accordance with the SPA.

On 3 July 2017, the Board of Directors announced that the Proposed Acquisition of Danum Sinar had been completed following, inter alia, payment of the Balance Purchase Price to the Vendor.

Following the completion of the due diligence verification, the final Purchase Price had been reduced, in accordance with the provisions of the SPA, from RM276,587,523.65 to RM274,734,568.48, based on the final liabilities of Danum Sinar in its management accounts as at 31 March 2017 of RM329,635,831.37 (previously RM327,782,876.20).

Resulting from the completion on 3 July 2017, Danum Sinar became a wholly owned subsidiary of Danau Semesta which in turn becomes a 90% subsidiary of MESB (previously 60%) with ASSB as the remaining 10% shareholder.

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 30 June 2017 are as follows:-

	Current RM'000	Non-current RM'000
Secured		
Obligation Under Finance Leases	1,447	4,273

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.

On 17 June 2017, the Panel fixed the continued hearing dates of the First Arbitration Proceedings on 15 July 2017 and 16 July 2017, respectively.

On 17 July 2017, the Company was notified that the continued hearing of the First Arbitration Proceedings scheduled on 15 July 2017 and 16 July 2017 was cancelled by the Panel. The Panel has yet to fix new dates for the continued hearing of the First Arbitration Proceedings.

On 24 August 2017, the Company updated that the Panel has fixed the next continued hearing date of the First Arbitration Proceedings on 10 September 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 fixed another pre-trial case management on 18 July 2017. Meanwhile, the Company filed an appearance on 16 May 2017 and its Defence is due by 23 June 2017.

The Company filed its Defence on 20 June 2017 and a copy of the Defence was served on PASSB's solicitors on 21 June 2017. Puncak received a copy of PAAB's reply to the Defence on 14 July 2017.

On 5 July 2017, PASSB served a sealed application to restrain Puncak's solicitors from acting in the proceeding for the Suit on 5 July 2017.

At the case management held on 18 July 2017, the Court scheduled PASSB's application to restrain Puncak's solicitors from acting in the proceeding for the Suit on 24 August 2017. Meanwhile, Puncak and Puncak's solicitors had filed and served their affidavit in replies to oppose the said application by PASSB on 17 July 2017.

At the case management held on 21 August 2017, the Court adjourned the hearing of PASSB's application to restrain Puncak's solicitors from acting in the proceeding for the Suit to 14 September 2017. Meanwhile, the respective submission in reply is due on 4 September 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) <u>Puncak Niaga Construction Sdn Bhd ("PNCSB")</u>

Five (5) Notices of Adjudication issued under the Construction Industry Payment & Adjudication Act 2012, ("CIPAA") to the Company's wholly-owned subsidiary, PNCSB - which had been adjudicated and decided upon

(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 Pembetungan 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 RM152.2 million.

Two (2) separate arbitrations initiated by Genbina Sdn Bhd and the three (3) separate arbitrations initiated by PNCSB will be consolidated into a single arbitration proceeding.

The arbitral tribunal has been constituted and a preliminary meeting was called on 5 July 2017 wherein parties have been given directions to move the arbitration forward.

(6) Notice of Adjudication dated 31 July 2017 issued under CIPAA to PNCSB

On 31 July 2017, PNCSB received a Notice of Adjudication dated 31 July 2017 to refer the disputes arising from an alleged payment claim under Sections 7 and 8 under CIPAA from Genbina.

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

(i) Genbina had issued a Notice of Adjudication dated 31 July 2017 to refer the disputes arising from an alleged payment claim under Sections 7 and 8 under CIPAA against PNCSB on 31 July 2017 for the sum of RM25,413,723.45 for D44 project together with interest, cost and/or any 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.

B10 <u>Dividend</u>

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 Quarter	Preceding Year Corresponding Quarter	Current Year to date	Preceding Year Corresponding Period
		3 months ended		6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
Loss net of tax attributable to owners of the parent	(RM'000)				
- continuing operations		(33,151)	(15,367)	(67,298)	(59,652)
- discontinued operation		2,771	(2,890)	(5,803)	(4,152)
		(30,380)	(18,257)	(73,101)	(63,804)
Weighted average number of ordinary shares in issue	('000)	447,247	447,247	447,247	447,247
Basic loss per share	(sen)				
- continuing operations		(7.41)	(3.44)	(15.05)	(13.34)
- discontinued operation		0.62	(0.64)	(1.30)	(0.92)
		(6.79)	(4.08)	(16.35)	(14.26)

Diluted loss per ordinary share

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

B12 Retained earnings

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries :		
- realised	316,225	398,603
- unrealised	42,517	31,941
	358,742	430,544
Less : Consolidation adjustments	338,797	340,385
Total retained earnings	697,539	770,929

By Order of the Board

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

Shah Alam
28 August 2017