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If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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PUNCAK NIAGA HOLDINGS BERHAD

(Company No.: 416087-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE FOLLOWING:

- (I) PROPOSED DISPOSAL BY PUNCAK NIAGA HOLDINGS BERHAD ("PNHB") OF THE ENTIRE EQUITY INTEREST AND CUMULATIVE CONVERTIBLE REDEEMABLE PREFERENCE SHARES HELD IN PUNCAK NIAGA (M) SDN BHD TO PENGURUSAN AIR SELANGOR SDN BHD (FORMERLY KNOWN AS TEMASEK TIASA SDN BHD) ("AIR SELANGOR")**
 - (II) PROPOSED DISPOSAL BY PNHB OF 70% EQUITY INTEREST HELD IN SYARIKAT BEKALAN AIR SELANGOR SDN BHD AND RM212.0 MILLION NOMINAL VALUE OF REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS TO AIR SELANGOR**
- (COLLECTIVELY REFERRED TO AS THE "PROPOSED DISPOSALS")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

The Notice of Extraordinary General Meeting ("**EGM**") of PNHB to be held at Concorde I, Concorde Hotel Shah Alam, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 7 January 2015 at 10.00 a.m. together with the Proxy Form are enclosed in this Circular.

As a shareholder, you can appoint a proxy or proxies to attend and vote on your behalf. You must complete and deposit the Proxy Form at the Office of the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, not later than 48 hours before the time set for the EGM or any adjournment thereof. You are not precluded from attending and voting in person at the EGM should you wish to do so subsequent to the lodging of the Proxy Form.

Last day, date and time for lodging the Proxy Form	: Monday, 5 January 2015 at 10.00 a.m.
Day, date and time of the EGM	: Wednesday, 7 January 2015 at 10.00 a.m. or at any adjournment thereof

This Circular is dated 16 December 2014

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Act"	:	The Companies Act, 1965 as amended from time to time and any re-enactment thereof
"Air Selangor"	:	Pengurusan Air Selangor Sdn Bhd (<i>formerly known as Temasek Tiasa Sdn Bhd</i>)
"Board"	:	Board of Directors of PNHB
"Bpd"	:	Barrels per day
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CA Related Business"	:	The operations and business carried on by PNSB in connection with the PNSB Concession Agreements
"Cash Flow Projections"	:	PNSB Cash Flow Projections and SYABAS Cash Flow Projections, collectively
"CDS"	:	Central Depository System
"CPO"	:	Crude palm oil
"DCF Method"	:	Discounted cash flow method of valuation
"Disposal Consideration"	:	The PNSB Disposal Consideration and SYABAS Disposal Consideration, collectively
"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"EGM"	:	Extraordinary General Meeting
"EPS"	:	Earnings per share
"FCFF"	:	Free cash flow to firm
"Federal Government"	:	Government of Malaysia
"FFB"	:	Fresh fruit bunch
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended or ending, as the case may be
"GDP"	:	Gross domestic product
"HLIB"	:	Hong Leong Investment Bank Berhad
"IAC"	:	Independent advice circular
"Independent Valuer"	:	Moore Stephens Associates PLT
"KAF Investment" or "Independent Adviser"	:	KAF Investment Bank Berhad, the Independent Adviser for the Proposed Disposals
"KDEB"	:	Kumpulan Darul Ehsan Berhad

DEFINITIONS (Cont'd)

"KPS"	:	Kumpulan Perangsang Selangor Berhad
"LAT"	:	Loss after tax
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
"LPD"	:	28 November 2014, being the latest practicable date prior to the printing of this Circular
"LPS"	:	Loss per share
"LUAS"	:	Lembaga Urus Air Selangor
"m ³ "	:	cubic meter
"MBI"	:	Menteri Besar Selangor (Incorporated)
"NA"	:	Net assets
"OER"	:	Oil extraction rate
"PAAB"	:	Pengurusan Aset Air Berhad
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PETRONAS"	:	Petroleum Nasional Berhad
"PNHB" or "Company"	:	Puncak Niaga Holdings Berhad
"PNHB Group" or "Group"	:	PNHB and its subsidiaries, collectively
"PNHB Share(s)" or "Share(s)"	:	Ordinary share(s) of RM1.00 each in PNHB
"PNSB"	:	Puncak Niaga (M) Sdn Bhd
"PNSB Cash Flow Projections"	:	The estimate, forecast and projected statements of cash flows of PNSB for its water concession business from FYE 31 December 2014 to FYE 31 December 2034 as provided by the Management of PNSB and as adopted by the Board
"PNSB CCRPS"	:	48,000,000 cumulative convertible redeemable preference shares of RM0.10 each in PNSB
"PNSB CCRPS Disposal Consideration"	:	Cash consideration of RM48.0 million, being the disposal consideration for the proposed disposal by PNHB to Air Selangor of the PNSB CCRPS
"PNSB Disposal Consideration"	:	PNSB Shares Disposal Consideration and PNSB CCRPS Disposal Consideration, collectively
"PNSB Concession Agreements" or "CA"	:	The agreements entered into between PNSB and the State Government (including all amendments and supplementary agreements mutually agreed to in writing): 1. Privatisation Cum Concession Agreement dated 22 September 1994;

DEFINITIONS (Cont'd)

	2. Wangsa Maju Water Treatment Plant Concession Agreement dated 31 December 2004; 3. Construction Cum Operation Agreement dated 22 March 1995; 4. Sg Sireh Water Treatment Plant Operation & Maintenance Agreement dated 7 March 2008; 5. Sg Lolo Water Treatment Plant (Extension) Operation & Maintenance Agreement dated 16 August 2007; including all rights connected to the Bernam River Headworks (Baru) water treatment plant as granted by SPAN or any other public authority
"PNSB Fair Value"	: The fair value of the entire equity interest in PNSB (specific to its water concession business in the State of Selangor) comprising PNSB Shares and PNSB CCRPS based on the PNSB Valuation Letter of the Independent Valuer
"PNSB Group"	: PNSB and its subsidiaries, collectively
"PNSB Shares"	: 10,000,000 ordinary shares of RM1.00 each in PNSB
"PNSB Shares Disposal Consideration"	: Cash consideration of RM1,069.5 million, being the disposal consideration for the proposed disposal by PNHB to Air Selangor of the PNSB Shares
"PNSB Valuation Letter"	: Valuation letter dated 15 December 2014 in respect of the independent valuation conducted by the Independent Valuer in determining the PNSB Fair Value
"PRC"	: The People's Republic of China
"Proposed Disposals"	: Proposed PNSB Disposal and Proposed SYABAS Disposal, collectively
"Proposed PNSB Disposal"	: Proposed disposal by PNHB of the PNSB Shares and PNSB CCRPS, which collectively represent 100% equity interest in PNSB, to Air Selangor at the PNSB Disposal Consideration
"Proposed SYABAS Disposal"	: Proposed disposal by PNHB of the SYABAS Shares and SYABAS RCULS, which represent 70% of the equity interest in SYABAS and 86.53% of the loan stocks issued respectively, to Air Selangor at the SYABAS Disposal Consideration
"PUAS"	: Perbadanan Urus Air Selangor Berhad, a wholly-owned subsidiary of SYABAS
"RCSSI"	: RM165.0 million nominal value of five (5)-year redeemable convertible secured Sukuk Ijarah issued by PNHB, with a maturity of five (5) years from the issue date of 11 September 2013. The coupon rate is 3.95% per annum
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"Rs"	: Indian Rupee
"SPA"	: Sale and purchase agreement dated 11 November 2014 entered into between PNHB and Air Selangor for the Proposed PNSB Disposal and Proposed SYABAS Disposal

DEFINITIONS (Cont'd)

"SPAN"	:	Suruhanjaya Perkhidmatan Air Negara
"State Government"	:	Selangor State Government
"SYABAS"	:	Syarikat Bekalan Air Selangor Sdn Bhd
"SYABAS Cash Flow Projections"	:	The estimate, forecast and projected statements of cash flows of SYABAS from FYE 31 December 2014 to FYE 31 December 2034 as provided by the Management of SYABAS and as adopted by the Board
"SYABAS Concession Agreement"	:	Concession Agreement dated 15 December 2004 entered into between SYABAS, the Federal Government and the State Government
"SYABAS Disposal Consideration"	:	SYABAS Shares Disposal Consideration and SYABAS RCULS Disposal Consideration, collectively
"SYABAS Fair Value"	:	The fair value of the entire equity interest in SYABAS based on the SYABAS Valuation Letter of the Independent Valuer
"SYABAS RCULS"	:	RM212.0 million nominal value of redeemable convertible unsecured loan stocks issued by SYABAS to PNHB
"SYABAS RCULS Disposal Consideration"	:	Cash consideration of RM212.0 million, being the disposal consideration for the proposed disposal by PNHB to Air Selangor of the SYABAS RCULS
"SYABAS RCULS Fair Value"	:	The fair value of the entire interest in RM245.0 million nominal value of redeemable convertible unsecured loan stocks in SYABAS assuming it is treated as liability and will be fully redeemed based on the SYABAS Valuation Letter of the Independent Valuer
"SYABAS Shares"	:	45,500,000 ordinary shares of RM1.00 each in SYABAS
"SYABAS Shares Disposal Consideration"	:	Cash consideration of RM225.8 million, being the disposal consideration for the proposed disposal by PNHB to Air Selangor of the SYABAS Shares
"SYABAS Valuation Letter"	:	Valuation letter dated 15 December 2014 in respect of the independent valuation conducted by the Independent Valuer in determining the SYABAS Fair Value and SYABAS RCULS Fair Value
"Valuation Letters"	:	PNSB Valuation Letter and SYABAS Valuation Letter, collectively
"WACC"	:	Weighted average cost of capital
"WSIA"	:	The Water Services Industry Act, 2006 (ACT655)

Words importing the singular only shall include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations. All references to the time of day in this Circular are references to Malaysian time.

All references to "our Company" in this Circular are to PNHB, references to "the Group" are to our Company and its subsidiaries. All references to "you" in this Circular are to the shareholders of our Company.

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PUNCAK NIAGA HOLDINGS BERHAD

(Company No.: 416087-U)
(Incorporated in Malaysia)

Registered office:

10th Floor, Wisma Rozali
No. 4, Persiaran Sukan
Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan

16 December 2014

Directors:

YBhg Tan Sri Rozali Bin Ismail	<i>(Executive Chairman)</i>
YBhg Dato' Syed Danial Bin Syed Ariffin	<i>(Chief Operating Officer)</i>
YBhg Dato' Ruslan Bin Hassan	<i>(Non-Independent Non-Executive Director)</i>
YBhg Dato' Ir Lee Miang Koi	<i>(Non-Independent Non-Executive Director)</i>
YAM Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud	<i>(Non-Independent Non-Executive Director)</i>
YBhg Tan Sri Dato' Hari Narayanan Govindasamy	<i>(Independent Non-Executive Director)</i>
YBhg Tan Sri Dato' Seri Dr Ting Chew Peh	<i>(Independent Non-Executive Director)</i>
YBhg Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak	<i>(Independent Non-Executive Director)</i>
Mr Ng Wah Tar	<i>(Executive Director)</i>

To: The Shareholders of Puncak Niaga Holdings Berhad

Dear Sir/Madam,

(I) PROPOSED PNSB DISPOSAL

(II) PROPOSED SYABAS DISPOSAL

(COLLECTIVELY REFERRED TO AS THE "PROPOSED DISPOSALS")

1. INTRODUCTION

On 11 November 2014, HLIB had, on behalf of our Board announced that our Company had entered into a conditional sale and purchase agreement with Air Selangor, for the proposed disposal by our Company of the entire equity interest and PNSB CCRPS held in PNSB and 70% equity interest and RM212.0 million nominal value of RCULS held in SYABAS for a total cash consideration of RM1,555.3 million.

The purpose of this Circular is to provide you with information pertaining to the Proposed Disposals, to set out our Board's recommendation and to seek your approval for the Proposed Disposals to be tabled at our forthcoming EGM. The Notice of our EGM and the Proxy Form are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND THE IAC (WHICH WILL BE DESPATCHED TO YOU PRIOR TO THE EGM) CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DISPOSALS

2.1 Details of the Proposed Disposals

The Proposed Disposals involve the disposals of the following by our Company to Air Selangor:

- (i) the entire equity interest in PNSB comprising 10,000,000 ordinary shares of RM1.00 each in PNSB for RM1,069.5 million and 48,000,000 PNSB CCRPS for RM48.0 million; and
- (ii) 70% equity interest held in SYABAS comprising 45,500,000 ordinary shares of RM1.00 each in SYABAS for a cash consideration of RM225.8 million and RM212.0 million nominal value of RCULS for a cash consideration of RM212.0 million.

The Proposed Disposals are deemed as major disposals pursuant to paragraph 10.11A of the Listing Requirements.

2.2 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration was determined based on the offer from KDEB dated 10 June 2014, which forms part of the consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The Disposal Consideration had also taken into consideration the waiver of all inter-company balances between our Group. For information purposes only, the inter-company balances between our Group shall not exceed RM350.0 million unless any excess is otherwise waived in accordance with the terms of the SPA.

Our Company had on 9 May 2014 appointed Moore Stephens Associates PLT to conduct an independent valuation on PNSB and SYABAS.

The valuation for the PNSB Shares and PNSB CCRPS comprises only the CA Related Business as at 30 June 2014.

The valuation for PNSB Shares and PNSB CCRPS, as appraised by the Independent Valuer using the DCF Method in its PNSB Valuation Letter dated 15 December 2014 is between RM1,262.0 million and RM1,442.0 million. For information purpose, as per the PNSB Valuation Letter, the above valuation is after imputing an illiquidity discount¹ of 20% and 30%, respectively to the equity value of PNSB Shares and PNSB CCRPS of RM1,803.0 million. The equity value of RM1,803.0 million is derived as illustrated below:

	RM'million
Present value of FCFF as at 30 June 2014	3,386
Add: Cash and bank balance at 30 June 2014	160
Less: Borrowings at 30 June 2014	(1,743)
Equity value of PNSB's water concession business	<u><u>1,803</u></u>

¹ A factor which may have an impact on valuation is the liquidity of the asset, i.e. the extent to which the asset can be freely bought and sold. For example, there may be an argument for the case that a publicly listed company has larger investors base and can be more freely traded than a similar asset which is not listed, thus a publicly listed company should command a "liquidity premium". Conversely, an unlisted company has a smaller investors base and its shares are not as freely traded as a publicly listed company, thus an unlisted company should impose an 'illiquidity discount'.

The valuation takes into consideration, amongst others, the following:

- (i) the PNSB Cash Flow Projections at a discount rate of 7.64%;
- (ii) long term receivables will be fully paid in year 2018 while the late payment interest associated will be repaid on staggered basis;
- (iii) assumption on the continuity of the operations of PNSB; and
- (iv) the waiver of all inter-company balances from PNHB Group to PNSB.

The valuation for SYABAS Shares as at 30 June 2014 as appraised by the Independent Valuer using the DCF Method in its SYABAS Valuation Letter is between RM648.0 million and RM740.0 million. For information purpose, as per the SYABAS Valuation Letter, the above valuation is after imputing an illiquidity discount of 20% and 30%, respectively to the equity value of SYABAS Shares of RM925.0 million. The equity value of RM925.0 million is derived as illustrated below:

	RM'million
Present value of FCFF as at 30 June 2014	3,747
Add: Cash and bank balance at 30 June 2014	936
Less: Value of debts at 30 June 2014	(3,362)*
100% Equity value of SYABAS	<u>1,321</u>
70% Equity value of SYABAS	<u>925</u>

**inclusive value of SYABAS RCULS of RM198.1 million*

The valuation takes into consideration, amongst others, the following:

- (i) the SYABAS Cash Flow Projections at a discount rate of 8.41%;
- (ii) water tariff compensation will be fully collected by year 2018 and tariff adjustment will be made as per the SYABAS Concession Agreement;
- (iii) non-revenue water rate will decline gradually;
- (iv) new water treatment plants will be constructed and completed as scheduled;
- (v) long term debts to water treatment operators will be fully settled in year 2018 and late payment interests owing will be fully settled on staggered basis when cash flows permit;
- (vi) additional borrowing of RM2.0 billion will be obtained in year 2018 at the assumed prevailing interest rate; and
- (vii) assumption on the continuity of the operations of SYABAS.

The DCF Method considers the time value of a company, as the future cash flows of a company are estimated and discounted at a rate that reflects the risks and return of the future cash flows. The key advantage of the DCF Method is that it takes into consideration the various assumptions made on the revenue stream, expected capital expenditure and operating costs throughout the valuation period. The DCF Method is commonly used for the valuation of water concession assets compared with other valuation methods such as price to book multiple, dividend yield, price to earnings multiple or enterprise value given the nature of the water concession business as well as the finite period of the concession agreements.

The DCF Method was selected for the valuation of PNSB Shares and PNSB CCRPS after taking into consideration that PNSB holds 5 water treatment concessions, the nature of the CA Related Business whereby the income and expenditure are predictable and the said water treatment concessions have finite life.

The DCF Method was selected for the valuation of the SYABAS Shares after taking into consideration that SYABAS holds a concession for the supply and distribution of treated water in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, the discounted cash flow is more reflective of the income and expenditure of SYABAS and the said concession has a finite life.

The Independent Valuer applied the discount rates of 7.64% and 8.41% for the PNSB Cash Flow Projections and SYABAS Cash Flow Projections, respectively by using the WACC. In arriving at the discount rates, the Independent Valuer has considered the prevailing risk free rate (based on Malaysian Government Securities), expected market return of securities traded on Bursa Securities, systematic risk or beta (based on selected peer company listed on Bursa Securities), cost of debt, tax rate as well as the capital structure of PNSB's CA Related Business and SYABAS.

The key assumptions for the PNSB Cash Flow Projections and SYABAS Cash Flow Projections take into consideration, amongst others, the expected sales/production volume, concession income, tariff rate, bulk supply rate, non-revenue water, inflation rate, provision for repair and maintenance, financing costs and other operating costs.

The Independent Valuer has imputed the illiquidity discount range of between 20% and 30% of the estimated value to the valuation of PNSB Shares and PNSB CCRPS as well as the SYABAS Shares in view that the PNSB Shares, PNSB CCRPS and SYABAS Shares are non-listed securities. The illiquidity discount range of between 20% and 30% used was based on a rule of thumb² as there is lack of a set of readily available empirical data or database that can be analysed and compared against in arriving at a particular company's specific illiquidity discount.

Further details of the valuation of PNSB Shares and PNSB CCRPS as well as SYABAS Shares are disclosed in the Valuation Letters as set out in Appendix V of this Circular.

The Board is of the opinion that:

- (i) the PNSB Disposal Consideration which represents a discount of between 11.5% and 22.5% to the valuation of between RM1,262.0 million and RM1,442.0 million; and
- (ii) the SYABAS Disposal Consideration comprising the disposal of 45,500,000 SYABAS Shares which represents a discount of between 65.2% and 69.5% to the valuation of between RM648.0 million and RM740.0 million and the disposal of RM212.0 million nominal value of SYABAS RCULS based on its nominal value,

are fair and reasonable after taking into consideration, amongst others, the following:

- (i) the Proposed Disposals will facilitate an amicable conclusion to the protracted negotiations for the consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya;
- (ii) the Disposal Consideration will be partly utilised for future investments and cash distributions to the shareholders as disclosed in Section 6 of this Circular;
- (iii) our Company will be able to focus on its future plans to expand the PNHB Group's oil and gas business as well as to explore other opportunities, as disclosed in Section 7.3 of this Circular; and
- (iv) the licences held by PNSB for abstraction of raw water issued by LUAS had expired on 31 May 2014 and was not renewed by LUAS. PNSB will not be able to operate the water treatment plants without the licence for abstraction of raw water from LUAS. Currently, PNSB conduct the raw water abstraction activities via a consent order for interim relief pending appeal obtained on 30 May 2014 from the Court of Appeal.

² Aswath Damodaran, in his book titled "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset", used similar range as a rule of thumb. In addition, based on case law in Business Valuation: Discounts and Premiums by Shannon P. Pratt, the estimated illiquidity discount of 20% to 30% fall within the range.

The Proposed PNSB Disposal and Proposed SYABAS Disposal were negotiated collectively to facilitate the consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The offers received from the State Government since 2009 have been on the basis of the take-over of both PNSB and SYABAS collectively, and not separately. Hence, the Disposal Consideration was determined based on the offer from KDEB dated 10 June 2014 for both PNSB and SYABAS collectively, and there were no specific discount rate being set to the respective valuation of PNSB and SYABAS to determine the PNSB Disposal Consideration and SYABAS Disposal Consideration. The range of discounts for the PNSB Disposal Consideration and SYABAS Disposal Consideration in comparison to their respective valuation is disclosed above for illustration purposes only.

2.3 Salient terms of the SPA

Pursuant to the SPA, PNHB agrees to sell and Air Selangor agrees to purchase the following:

- (i) PNSB Shares;
- (ii) PNSB CCRPS;
- (iii) SYABAS Shares; and
- (iv) SYABAS RCULS,

free from all encumbrances and together with all rights, benefits and accrued and unpaid dividends, interest or other entitlements attaching to them.

2.3.1 Disposal Consideration

The Proposed Disposals involves the Disposal Consideration of RM1,555.3 million comprises:

- (i) RM1,069.5 million for the PNSB Shares and RM48.0 million for the PNSB CCRPS; and
- (ii) RM225.8 million for the SYABAS Shares and RM212.0 million for the SYABAS RCULS.

2.3.2 Payment terms

An earnest deposit of RM1.0 million ("**Earnest Deposit**") shall be paid by Air Selangor to PNHB 1 business day from the date of the execution of the SPA, whilst the balance purchase price of RM1,554.3 million ("**Balance Purchase Price**") shall be paid by Air Selangor to PNHB free of interest at Completion (as defined in Section 2.3.7 below).

2.3.3 Terms

- (i) Air Selangor will assume all the CA Related Business (including all CA related assets and liabilities), PNSB's CA related employees, SYABAS' employees and employees of PUAS upon Completion (as defined in Section 2.3.7 below).
- (ii) Concurrent with the Proposed Disposals, PNHB shall cause and procure PNSB to effect the following on the date falling seven (7) days after the date on which the last of the special covenants and the conditions precedent (which have not been otherwise waived by Air Selangor) have been fulfilled and satisfied ("**Completion Date of the SPA**"):
 - (a) the transfer by PNSB of all of the shares in Unggul Raya (M) Sdn Bhd and Ideal Water Resources Sdn Bhd, which are both wholly-owned subsidiaries of PNSB, to PNHB and/or its subsidiaries;
 - (b) the transfer of PNSB's non-CA related real properties ("**Properties**"), the non-CA related assets and the non-CA related motor vehicles by PNSB to PNHB and/or its subsidiaries;

- (c) the novation of the non-CA related contracts and the specified non-CA contract to PNHB and/or its subsidiaries together with all liabilities and/or receivables arising therefrom;
- (d) the novation of all non-CA related liabilities to PNHB and/or its subsidiaries;
- (e) the transfer of PNSB's non-CA related employees to PNHB and/or its subsidiaries;
- (f) the cancellation of PNSB's non-CA related performance bonds issued by RHB Bank Berhad and United Overseas Bank (Malaysia) Berhad and termination of the facility granted by United Overseas Bank (Malaysia) Berhad to PNSB;
- (g) the transfer and/or novation of PNSB's non-CA related tenders submitted by PNSB prior to the date of the SPA, and all contracts arising from the acceptance of such tenders by the relevant counterparties to PNHB and/or its subsidiaries; and
- (h) the waiver by PNSB of a sum not exceeding RM350.0 million due and owing by PNHB and its subsidiaries to PNSB.

2.3.4 Conditions Precedent

The Proposed Disposals are conditional upon the following conditions precedent being fulfilled not later than two (2) months from the date of the SPA, or any other extended date as the parties may mutually agree in writing:

- (i) the unconditional approvals of the Federal Government through the Unit Kerjasama Awam Swasta of the Prime Minister's Department (in satisfaction of the approval required from the Economic Planning Unit of the Prime Minister's Department), the State Government (through the Economic Planning Unit of the State Government), the SPAN and the Minister of Finance Incorporated.

Save for the approval from the State Government on 1 December 2014, our Company has not received any of the above approvals;

- (ii) the approval of the shareholders of PNHB;
- (iii) the unconditional approvals of ACQUA SPV Bhd and the respective trustees of the bonds issued by PNSB and SYABAS, namely PB Trustee Services Berhad, OSK Trustees Berhad and CIMB Investment Bank Berhad;
- (iv) the unconditional approvals of RHB Bank Berhad and Bank Pembangunan Malaysia Berhad, which is required because both these banks have clauses in their respective loan agreements which restrict any change in the major shareholder of the borrower;
- (v) (1) the approval of the holders of the RCSSI; and (2) the release and discharge of the existing charge over 2,500,000 ordinary shares of RM1.00 each in PNSB and 16,800,000 ordinary shares of RM1.00 each in SYABAS in favour of PB Trustee Services Berhad ("**Charge**") and in connection thereto, the approval of PB Trustee Services Berhad having been obtained for the release and discharge of the Charge and all documents relating thereto having been duly executed by the relevant parties and where relevant, filed with the Companies Commission of Malaysia;

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- (vi) the execution of each of (1) the agreement between the State Government and Air Selangor for the transfer of water-supply related assets to Air Selangor; (2) the master agreement executed by Air Selangor, PAAB³, the State Government and the Federal Government for the transfer to PAAB of water-supply related assets ("**Master Agreement**"); and (3) the lease agreement and facility agreement between Air Selangor and PAAB for the leaseback of the water-supply related assets acquired by PAAB (collectively, the "**Transfer Agreements**").

As at 12 December 2014, our Company has not been notified in writing if these three (3) agreements had been executed. However, the Federal Government had made a press release that the Master Agreement has been signed on 12 September 2014;

- (vii) the receipt by Air Selangor of (1) a written waiver by KPS of its pre-emption rights under the shareholders agreement dated 31 December 2004 entered into between PNHB, KDEB and SYABAS as supplemented by the supplemental shareholders' agreement dated 20 February 2009 entered into between PNHB, KDEB, SYABAS and KPS ("**Shareholders Agreement**"); and (2) KPS' written consent to terminate the Shareholders Agreement effective on the Completion Date of the SPA.

Both of these have been received via a letter from Air Selangor dated 10 December 2014;

- (viii) the due receipt by Air Selangor a sum not less than the Disposal Consideration paid by PAAB to Air Selangor under the Master Agreement ("**PAAB Sum**"); and
- (ix) the receipt by Air Selangor of a confirmation from PAAB that it is satisfied with the results of the due diligence inquiry carried out on PNSB, SYABAS and PUAS.

As at 12 December 2014, save as disclosed above on the status of the conditions precedent, our Company has not obtained the approval/confirmation for (i) to (v) and (viii) to (ix).

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³ PAAB or Water Asset Management Company was established on 5 May 2006 as a wholly-owned company under the Minister of Finance, Incorporated. PAAB forms part of the Federal Government's efforts to restructure the water services industry in the country to achieve better efficiency and quality. Its responsibility is to develop the nation's water infrastructure in Peninsular Malaysia and the Federal Territories of Putrajaya and Labuan in line with WSIA. Under the new model to restructure the water industry, state water operators will no longer be responsible for the developing of water infrastructure and its funding. The responsibilities of developing water infrastructure and sourcing for its funding will be transferred to PAAB.

(Source: www.paab.my)

2.3.5 Termination

- (i) Under the terms of the SPA, Air Selangor shall be entitled to issue to PNHB a written notice to terminate the SPA if, at any time before Completion:
 - (a) PNHB:
 - (1) breaches any of the terms or conditions of the SPA which has a material adverse effect and is incapable of remedy, or if capable of remedy, is not remedied within 14 business days of it being given notice to do so; or
 - (2) fails to perform or observe any undertaking, obligation or agreement expressed or implied in the SPA which has a material adverse effect and is incapable of remedy, or if capable of remedy, is not remedied within 14 business days of it being given notice to do so;
 - (b) the occurrence of an insolvency event relating to PNHB and/or any of PNSB, SYABAS or PUAS; and
 - (c) either PNHB, PNSB, SYABAS or PUAS commits any act or omits to do any act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility which results in an insolvency event.
- (ii) Upon termination of the SPA by Air Selangor:
 - (a) within five (5) business days of the termination by Air Selangor, PNHB shall refund to Air Selangor the Earnest Deposit; and
 - (b) within 14 business days after receipt of the notice of termination, PNHB shall, inter alia, refund to Air Selangor any moneys received by or on behalf of PNHB other than the Earnest Deposit.
- (iii) PNHB shall be entitled to issue to Air Selangor a written notice to terminate the SPA if, at any time before Completion:
 - (a) Air Selangor fails and/or refuses to pay the Disposal Consideration to PNHB in accordance with the terms of the SPA; or
 - (b) the occurrence of an insolvency event relating to Air Selangor.
- (iv) Upon termination of the SPA by PNHB, inter alia, PNHB shall be entitled to forfeit the Earnest Deposit as agreed liquidated damages and thereafter, PNHB shall have no further claims against Air Selangor.
- (v) Either Air Selangor or PNHB may terminate the SPA by notice in writing to the other if any of the parties to the Transfer Agreements breaches any of the terms or conditions of any of the Transfer Agreements which has a material adverse effect on Air Selangor's ability to complete the Proposed Disposals (other than the non-execution of the Transfer Agreements or the non-payment of the PAAB Sum which shall be dealt with as a non-fulfilment of a condition precedent) and thereafter, inter alia, PNHB shall be entitled to forfeit the Earnest Deposit as agreed liquidated damages and thereafter, PNHB shall have no further claims against Air Selangor.

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2.3.6 PNHB warranties and indemnities

In respect of the CA-related business, (a) where PNHB's liability is proven in respect of all monetary claims for breach of any of the warranties under the SPA ("Claims") to be less than RM10,000,000⁴ in aggregate, Air Selangor shall not make any claim against PNHB for such amounts; and (b) where the amount of a Claim or a series of connected Claims exceeds RM10,000,000 in aggregate, Air Selangor shall be entitled to claim against PNHB for such excess amount only but subject to any such claim being made within 18 months from the Completion Date of the SPA.

2.3.7 Completion

Completion shall take place on the Completion Date of the SPA.

2.4 Original cost and date of investment

The original cost and date of investment for PNSB and SYABAS, respectively by our Company are as follows:

Company	Date of investment	Cost of investment (RM'000)
PNSB	April 1997	52,511
	May 1997	48,000
	October 2008	321,211
		421,722
SYABAS	December 2004	38,124
	January 2005	2,800
		40,924

2.5 Liabilities to be assumed

2.5.1 Proposed PNSB Disposal

There are no liabilities, including contingent liabilities and guarantees to be assumed by Air Selangor arising from the Proposed PNSB Disposal, save for the CA related liabilities as disclosed in the SPA. The CA related liabilities includes all debts, borrowings, duties, obligations, liabilities and claims in connection with the CA Related Business.

2.5.2 Proposed SYABAS Disposal

There are no liabilities, including contingent liabilities and guarantees to be assumed by Air Selangor arising from the Proposed SYABAS Disposal, save for the liabilities stated in the financial statements of SYABAS such as loans and borrowings, trade and other payables, service concession obligations and retirement benefit obligations.

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⁴ The amount of RM10,000,000 was proposed by KDEB during negotiations and was commercially agreed upon between PNHB and KDEB.

3. INFORMATION ON PNSB AND SYABAS

3.1 Information on PNSB

PNSB was incorporated in Malaysia under the Act on 2 October 1989 as a private limited company. PNSB is a wholly-owned subsidiary of PNHB.

PNSB is principally involved in the operation, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities. As at the LPD, PNSB holds five (5) water treatment concessions and operates, manages and maintains 29 water treatment plants in Selangor and the Federal Territory of Kuala Lumpur.

Further details on PNSB are set out in Appendix I of this Circular.

3.2 Information on SYABAS

SYABAS was incorporated in Malaysia under the Act on 8 July 1996 as a private limited company.

SYABAS is principally involved in the supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and other water related services. As at the LPD, SYABAS holds one (1) concession for the supply and distribution of treated water in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

Further details on SYABAS are set out in Appendix II of this Circular.

4. INFORMATION ON AIR SELANGOR

Air Selangor was incorporated in Malaysia on 26 February 2014 under the Act under the name of Temasek Tiasa Sdn Bhd and assumed its present name on 10 September 2014. Air Selangor is a wholly-owned subsidiary of KDEB.

Air Selangor is a special purpose vehicle of KDEB to carry out the consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

As at the LPD, the authorised share capital of Air Selangor is RM15,000,000,000 comprising 15,000,000,000 ordinary shares of RM1.00 each while the issued and paid-up share capital is RM2 comprising two (2) ordinary shares of RM1.00 each.

The directors of Air Selangor as at the LPD are YAB Tuan Mohamed Azmin bin Ali, YM Raja Haji Idris Raja Kamarudin and Suhaimi bin Kamaralzaman. None of the directors of Air Selangor holds any shares, direct or indirect, in Air Selangor as at the LPD.

5. RATIONALE FOR THE PROPOSED DISPOSALS

The Proposed Disposals are undertaken as part of 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 ("**Proposed Restructuring**").

The Proposed Restructuring has remained unresolved since 2008. In 2008, the State Government had indicated its intention and commitment to the Proposed Restructuring. Our Company received its first offer from the State Government in February 2009 in respect of the taking over of the water assets and operations of PNSB and SYABAS, which our Company rejected the offer. Our Company rejected the said offer on the basis that, amongst others, the basis of valuation used is not an appropriate method of valuation for a concession company, the equity value was lower than the shareholders' funds, the payment terms were unclear and did not address the staffing issues.

Subsequent to that, our Company had received a few offers from either the MBI or KDEB on behalf of the State Government between year 2009 to year 2013 in respect of the taking over of the water assets and operations of PNSB and SYABAS. All these offers had since expired or lapsed as our Company was not agreeable either to the valuation method used or that our Company was unable to obtain sufficient clarification on ambiguities in the terms within the offer period.

On 10 June 2014, our Company announced that after a series of negotiations and several exchange of letters between our Company, Ministry of Energy, Green Technology and Water ("KeTTHA") and the State Government / KDEB with the latest letter received from KDEB dated 10 June 2014, PNHB and KDEB had agreed in principle on the Proposed Disposals, subject to the following terms and conditions:

- (i) the Proposed Disposals are to be at a cash consideration of net cash payable to PNHB of RM1,555.3 million;
- (ii) the Proposed Disposals shall include the takeover of all assets and corresponding liabilities of PNSB in relation to its concession businesses only;
- (iii) the non-concession related assets, liabilities and businesses of PNSB shall be returned to PNHB by KDEB at no cost; and
- (iv) subject to due diligence inquiry being satisfactory to KDEB, PNHB and PAAB.

Notwithstanding that the disposal of PNSB Shares and PNSB CCRPS and the disposal of SYABAS Shares are at a discount to the valuation as appraised by the Independent Valuer as disclosed in Section 2.2 of this Circular, the Board is of the opinion that the Proposed Disposals will facilitate an amicable conclusion to the protracted consolidation/restructuring of the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya mooted by the State Government in year 2008. If it is not resolved soon, it may lead to more water disruptions and adversely affect consumers as experienced in the second quarter of 2014.

Furthermore, with the cash proceeds received by PNHB, the PNHB Group will be able to partly utilise the proceeds for future investments and cash distributions to the shareholders as disclosed in Section 6 of this Circular. Our Company will also be able to focus on its future plans to expand our Group's oil and gas business as well as to explore other opportunities, as disclosed in Section 7.3 of this Circular.

6. UTILISATION OF PROCEEDS

Our Company intends to utilise the proceeds from the Proposed Disposals as follows:

Description	Note	RM'million	Timeframe for the utilisation of proceeds from the date of completion of the Proposed Disposals
Future investments	1	1,017.7	Within 12 months
Distribution to shareholders of PNHB	2	534.3	Within three (3) months
Defraying expenses incidental to the Proposed Disposals	3	3.3	Within two (2) months
Total		1,555.3	

Notes:

- (1) Our Group expects to utilise the proceeds for future investments which has yet to be identified as at the LPD. The proposed investment activities may include acquisition of strategic investments and/or strategic collaborations, joint ventures or alliances. The proposed investment activities may or may not be in similar or complementary industries to our Group's existing businesses. In the event shareholders' approval is required pursuant to the Listing Requirements for the strategic investments and/or strategic collaborations, joint ventures or alliances, such approval will be sought as per the provisions of the Listing Requirements.
- (2) Subject to the completion of the Proposed Disposals, it is the intention of our Board to distribute part of the proceeds to our shareholders via a cash dividend of at least approximately RM1.00 per Share (excluding treasury shares) or approximately RM534.3 million ("**Proposed Distribution**") to reward our shareholders for their support of our Company. The actual amount to be distributed will be determined and announced at a later stage. The actual amount to be distributed will depend on the total number of shares in issue as at the entitlement date. Our Company will also seek the relevant approvals for the Proposed Distribution, if required. Any excess in the actual amount to be utilised for the Proposed Distribution will be set aside for working capital.
- (3) The estimated expenses in relation to the Proposed Disposals comprises professional fees such as the advisers, lawyers and valuer, regulatory fees and other related costs. Any excess/shortfall in the actual amount to be utilised for defraying the estimated expenses relating to the Proposed Disposals would be adjusted to/from future investments.

Pending the utilisation of the proceeds by PNHB, the proceeds will be placed in interest-bearing deposit accounts with licensed financial institutions or short-term money market instrument(s) as our Board may deem fit.

7. LISTING STATUS AND FUTURE PLANS

7.1 Listing status

Upon completion of the Proposed Disposals, Bursa Securities may classify our Company as a Cash Company pursuant to paragraph 8.03 and Practice Note 16 of the Listing Requirements. Pursuant to paragraph 8.03(1) of the Listing Requirements, a company may be considered by Bursa Securities as a Cash Company when its assets, on a consolidated basis, consists of 70% or more of cash or short-term investments, or a combination of both.

For illustrative purposes only, our Group's cash and short-term investments upon the completion of the Proposed Disposals and the Proposed Distribution is approximately 66.6% of our Group's total assets based on the proforma consolidated statement of financial position of our Company as at 31 December 2013, as follows:

	As at 31 December 2013 ⁽¹⁾ RM'000	(I) After the Proposed Disposals RM'000	(II) After (I) and the Proposed Distribution ⁽²⁾ RM'000
Cash and cash equivalents and short-term investments	721,935	2,041,930	1,548,423
Total assets	4,646,355	2,817,555	2,324,048
 % cash and cash equivalents and short-term investments over total assets	 15.5%	 72.5%	 66.6%

Notes:

- (1) As extracted from the audited consolidated financial statements of our Company for the FYE 31 December 2013.
- (2) Assuming the full exercise of 40,792,666 outstanding warrants and full conversion of the outstanding RCSSI as at 31 December 2013 prior to the Proposed Distribution, and assuming cash dividend payment of RM534.3 million pursuant to the Proposed Distribution.

In the event our Company is classified as a Cash Company, at least 90% of the cash and short-dated securities including existing cash and the net proceeds from the Proposed Disposals (after deducting estimated expenses) must be placed in an account opened with a financial institution licensed by Bank Negara Malaysia and operated by a custodian. The amount placed in this account can only be utilised for the proposed acquisition of a business/asset approved by the Securities Commission Malaysia or for distributions to shareholders in the event our Company did not successfully implement a proposal to acquire a business/asset within the stipulated timeframe.

Bursa Securities may also classify our Company as an Affected Listed Issuer under Practice Note 17 of the Listing Requirements ("PN17") upon completion of the Proposed Disposals as our Company may be deemed to have triggered the following prescribed criteria under PN17:

- (i) suspended or ceased all of its business or its major business, or its entire or major operations as a result of the Proposed Disposals; or
- (ii) have an insignificant business or operations after the Proposed Disposals.

Pursuant to paragraphs 8.03(5) and 8.04(3) of the Listing Requirements, our Company is required to regularise its condition within 12 months from the day it becomes a Cash Company or Affected Listed Issuer. In the event our Company fails to regularise its condition within the stipulated timeframe, our Company's listed securities may be suspended and our Company may be de-listed from the Official List of Bursa Securities.

Notwithstanding the above, based on the proforma consolidated statement of financial position of our Company as at 31 December 2013, our Company does not trigger Practice Notes 16 and 17 of the Listing Requirements following the completion of the Proposed Disposals and the Proposed Distribution.

Our Board intends to maintain the listing status of our Company. In the event our Company is classified as a Cash Company or Affected Listed Issuer, our Board endeavours to take the necessary steps to identify new businesses and/or assets to be acquired by our Company. This will enable our Company to regularise its condition and to maintain its listing status on the Main Market of Bursa Securities after the completion of the Proposed Disposals.

7.2 Industry overview and outlook

Water and wastewater industry overview in PRC

In 2011, the PRC Number One Decree, an annual policy paper that details the central government's policy priorities, committed to doubling annual investment in the water sector, reaching Chinese Yuan Renminbi 4 trillion (United States of America ("US") Dollar ("USD") 608 billion) by 2020. These significant investments will focus on addressing the country's growing water scarcity, degradation of water resources and water quality, and increased exposure to flood hazards. In 2012, the PRC set performance targets for industry, irrigation, and water quality, supported by institutional measures to drive increased water security as an essential base for a sustainable economy.

(Source: Asian Water Development Outlook – ADB)

Oil and gas industry overview and outlook in Malaysia

Value-added of the mining sector grew marginally by 0.6% during the first half of 2014 (January to June 2013: 1.3%) backed by higher production of natural gas amid moderate output of crude oil. During the first seven months of 2014, production of crude oil (including condensates) declined marginally by 0.7% to 582,156 bpd (January to July 2013: 1%; 586,296 bpd), due mainly to lower production from the maturing oil fields during the first quarter. However, output of crude oil (including condensates) expanded by 4% in second quarter driven by production enhancement efforts and commencement of production from new oil fields.

For 2014, production of crude oil (including condensates) is estimated to rebound by 2.1% to 588,000 bpd (2013: -1.6%; 576,000 bpd), following the completion of Gumusut-Kakap Deepwater Development. Meanwhile, the Kebabangan field, which is located off the coast of Kota Kinabalu, Sabah, is expected to come on stream in the fourth quarter of 2014⁵.

Production of natural gas declined marginally by 0.4% to 6,275 million standard cubic feet per day ("mmscfd") during the first seven months of 2014 (January to July 2013: 7.9%; 6,303 mmscfd) due to the sharp decline in natural gas production in July 2014 (-17.3%). However, for 2014, gas production is projected to increase to 6,298 mmscfd (2013: 6,271 mmscfd) to meet higher demand from the power, industrial and petrochemical industries. Meanwhile, the commencement of Sabah Oil & Gas Terminal will further facilitate the production and export of oil and gas. For the year, value-added of the mining sector is anticipated to remain steady at 0.7% (2013: 0.7%) on higher output of crude oil (including condensates) and natural gas during the second half of the year.

(Source: Economic Report 2014/2015, Ministry of Finance, Malaysia)

Brent crude oil prices moderated to an average of USD103 per barrel in the third quarter (Q2 2014: USD110 per barrel), amid higher global supply and subdued demand from several key economies, including the PRC. During the quarter, the price premium on crude oil eased, as supply from the key oil-producing regions were not disrupted despite continued geopolitical developments. Meanwhile, non-Organisation of the Petroleum Exporting Countries ("OPEC") contributed more to supply. The US, in particular, increased its supply of shale oil. Oil prices ended the quarter at USD94 per barrel, and declined further to USD86 per barrel as of 27 October 2014, the lowest level since November 2010.

(Source: Quarterly Bulletin, Third Quarter 2014, Bank Negara Malaysia)

West Texas International crude oil prices fell to USD66 per barrel and Brent crude oil prices dropped to USD 70 per barrel after OPEC's decision to not cut output. Following the fall in oil prices, oil companies may reduce capital expenditure on new projects. PETRONAS has forecasted Brent crude oil prices to average from USD70 to USD 75 per barrel next year. Given the oversupply issue will only adjust if there is a reduction from US shale's production, oil price is expected to continue to remain weak.

PETRONAS has announced that it will cut capital expenditure by approximately 15% to 20% next year as a result of low crude oil prices and new risk service contracts will only be awarded if oil price is above USD80 per barrel albeit breakeven cost of USD65 per barrel. However, the refinery and petrochemical integrated development project worth USD27 billion that has received foreign direct investment is not expected to be affected.

(Source: HLIB Research dated 1 December 2014, Hong Leong Investment Bank)

Construction industry overview and outlook in Malaysia

The construction sector continued to register a double-digit growth of 14.3% during the first half of 2014 (January-June 2013: 12%). During the period, 19,649 construction projects were undertaken with contract value of RM50.1 billion. The civil engineering contributed 33% of the total construction works, followed by the non-residential (32.3%), residential (29.6%) and special trade (5%). The private sector contributed 71.4% of the total value of construction works. Meanwhile, the higher construction activity was led by the residential and non-residential subsectors, while growth in the civil engineering subsector moderated following the completion of some major projects, including Kuala Lumpur International Airport 2, Second Penang Bridge and Manjung coal-power plant.

The construction sector is projected to increase 10.7% in 2015 (2014: 12.7%) supported by commencement of some oil and gas related projects such as Refinery and Petrochemical Integrated Development (RAPID) as well as ongoing transportation-related infrastructure projects.

⁵ According to a news article from Bernama dated 12 November 2014, Kebabangan Petroleum Operating Company Sdn Bhd, a joint operating company formed by Petronas Carigali Sdn Bhd, ConocoPhillips Sabah Gas Ltd and Shell Energy Asia Limited, has successfully started gas production from the Kebabangan gas field.

A major initiative by the Government to address the water shortage problem is to increase distributable capacity and existing reserve margin by building new water treatment plants ("WTPs") or upgrading existing WTPs. One of the initiatives is the construction of Langat 2 Water Treatment Plant and Distribution System Phase 1 in Selangor which started in May 2014 and is scheduled for completion in June 2017.

(Source: Economic Report 2014/2015, Ministry of Finance, Malaysia)

7.3 Future plans

Our Group is principally involved in water and wastewater treatment, oil and gas as well as construction business as at the LPD. Our Group's water distribution business is held via SYABAS, a joint venture company with KDEB. Upon completion of the Proposed Disposals, PNHB will continue with our Group's existing business.

Based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2013, the segmental results of our Group, assuming that the Proposed Disposals had been completed prior to 1 January 2013, are as follows:

Operating segment	Revenue		Segment results ⁽¹⁾	
	FYE 31 December 2013	After the Proposed Disposals	FYE 31 December 2013	After the Proposed Disposals
	RM'000	RM'000	RM'000	RM'000
Water treatment	565,791	699	428,586	(5,440)
Oil and gas	454,936	454,936	(30,354)	(30,354)
Construction	125,737	125,737	(13,282)	(13,282)
Others ⁽²⁾	240	240	(11,213)	(11,213)
Total	1,146,704	581,612	373,737	(60,289)

Notes:

(1) Segment profit before tax and interest.

(2) Comprise mainly investment holding.

Water treatment

Upon completion of the Proposed Disposals, our Group's water treatment business will comprise mainly its projects in the PRC. Currently, our Group holds two (2) water treatment concessions in the PRC which involves the operation and maintenance of water treatment plants and distribution facilities which expires in year 2038 and 2039, respectively. Our Group also holds one (1) wastewater treatment concession which involves the operation and maintenance of wastewater treatment plant which expires in 2035. Please refer to Appendix III for further information on these water and wastewater treatment concessions. Our Group, after taking into consideration, amongst others, the measures and investments by the China government to address water scarcity, will continuously explore opportunities to leverage on its expertise and experience that has been garnered over the years to provide solutions to improve the existing water infrastructure and to increase the supply of treated water in rural areas.

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Oil and gas

Our Group remains committed and intend to pursue growth opportunities in the oil and gas sector in accordance with our Group's vision of becoming a significant player in this sector. Currently, our Group's oil and gas capabilities involve construction and subsea services as well as marine support services to the offshore industry in Malaysia. Our Group plans to market the barge services more aggressively and expand this capability through collaborative efforts by exploring both mid-stream and upstream opportunities locally and across the South-East Asian region. Our Group seeks to secure more deals involved in the Engineering, Procurement, Installation and Commissioning ("EPIC") and Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") projects. Besides that, our Group will also explore the possibilities of acquiring oil and gas assets or embarking on mergers and acquisitions to expand the oil and gas segment.

Our Group will continue its efforts to bid for oil and gas related projects both locally and overseas. Based on the latest audited consolidated financial statements of our Group for the FYE 31 December 2013, our Group's oil and gas division contributes approximately 40% to our Group's total revenue. For the FYE 31 December 2013, the oil and gas division incurred a segmental loss of approximately RM30.35 million compared with segmental profit of approximately RM83.93 million recorded for the FYE 31 December 2012. This was mainly due to the reduced scope of work of existing contracts as PETRONAS had deferred certain works.

Our Group's current ongoing oil and gas works is the EVA-NMB Gas Delivery System (ENGDS) Project from PETRONAS Carigali Sdn Bhd, which include the transportation and installation of offshore facilities project which entails the installation of pipeline from onshore Kerteh, Terengganu towards the border of Malaysia/Thailand Joint Development Area. This works forms part of the Package B with an estimated contract value of RM2.0 billion, for a three (3)-year period until 2016 (with option to extend for another one (1) year). The ENGDS Project with a contract value of approximately RM568.0 million is expected to be completed in the first quarter of 2015.

Our Group believes the oil and gas sector will be a major potential growth area and will intensify its efforts to secure more oil and gas projects. Our Board strongly believes that the future prospects of our Group's oil and gas business remains positive after taking into consideration, amongst others, the industry outlook, our Group's existing projects as well as potential contracts. Going forward, our Group expects the earnings contribution from the oil and gas division to be the major contributor of our Group.

Construction

In the construction segment, our Group is also involved in the construction of water-related facilities such as water treatment plants and pipelines. Our Group's current major projects include the capacity upgrading of Bayong Water Treatment Plant in Sarikei involving the construction of a 30 million litres per day water treatment plant in Bayong to improve the rural water supply in Sarawak, the supply, joining and laying of pumping pipelines and construction of three (3) water reservoirs and three (3) booster stations in Pakan, Sarawak and the project in Kuala Lumpur to construct new sewer pipe networks, pumping stations and rationalisation of existing sewage infrastructure in Bunas. The water-related construction projects have an estimated total contract value of RM544.4 million spanning over the next three (3) years.

Going forward, our Group will continuously look into expanding its operations in areas related to the existing core businesses locally given the initiatives undertaken by the Government of Malaysia to address water shortage problem, as well as in other countries in particular the ASEAN countries.

Others

In addition to the existing businesses, our Company is also exploring for opportunities in other business segments such as the oil palm plantation sector, taking into consideration, amongst others, the positive outlook for the industry.

Prospects of the agriculture sector will also remain favourable, supported by high production of CPO and food, especially poultry, fruits and vegetables. Value-added of the oil palm subsector rose 8.1% in the first half of 2014 (January to June 2013: 7.6%) following higher CPO production.

Production of CPO increased 6.6% to 10.7 million tonnes during the first seven months of 2014 (January to July: 5.9%; 10.1 million tonnes), on account of higher FFB yield per hectare and expanded matured areas in Sabah and Sarawak. Average FFB yield increased to 10.09 tonnes per hectare (January to July 2013: 9.99 tonnes per hectare) amid improved weather conditions in the second quarter. Meanwhile, the oil extraction rate grew to 20.6% (January to July 2013: 20.2%) supported by stronger FFB yields. With the increase in matured areas, higher FFB yields and improved OER, the oil palm subsector is expected to further increase in 2014. In addition, the ongoing implementation of EPP under the National Key Economic Areas ("NKEA") on palm oil to enhance productivity of upstream and downstream activities will further boost the subsector.

(Source: Economic Report 2014/2015, Ministry of Finance, Malaysia)

The agriculture sector, namely palm oil and rubber, is a major contributor to the Malaysian economy and is listed as one of the 12 NKEA where growth on these sectors will be focused on. As one of the major contributors to the Malaysian economy, the palm oil and rubber NKEA aims to strengthen the supporting industries to deliver RM230.9 billion in gross national income by the year 2020.

(Source: Economic Transformation Programme Annual Report 2013)

8. RISK FACTORS

8.1 Completion risks

The completion of the Proposed Disposals is conditional upon the conditions precedent of the SPA as set out in Section 2.3.4 of this Circular being satisfied. The non-fulfillment of the conditions precedent may result in the SPA being terminated. There is no assurance that the Proposed Disposals can be completed within the timeframe permitted under the SPA.

Should a delay or non-completion occur, our Group will not be able to utilise the proceeds from the Proposed Disposals in the manner set out in Section 6 of this Circular. Nevertheless, our Company will ensure that all reasonable steps will be taken in relation to the completion of the Proposed Disposals to ensure that the conditions precedent is met within the stipulated timeframe and that every effort is made to obtain all the necessary approvals for the Proposed Disposals.

8.2 Legal risks

In the event the Proposed Disposals are not completed, our Group may still be subjected to certain legal risks. Pursuant to Section 114 of WSIA, the Federal Government can assume control of the whole or part of the property, business and affairs of a licensee if it is necessary for national interest. There is no assurance that the Federal Government will not invoke Section 114 of WSIA. In the event the Federal Government invokes Section 114 of WSIA, a licensee is legally bound to comply with the provisions of WSIA and will lose control of its concession assets.

8.3 Loss of contribution and future income from PNSB and SYABAS

Upon completion of the Proposed Disposals, PNSB which is a major contributor to our Group in terms of revenue and profitability will no longer be a subsidiary of our Company and PNHB will cease from consolidating the results of PNSB. For the FYE 31 December 2013, PNSB contributed approximately 60% to our Group's total revenue and the entire profit before tax and interest of our Group.

SYABAS is classified as a joint venture of our Group in accordance with the Malaysian Financial Reporting Standard 11 – Joint Arrangements whereby the results of SYABAS are accounted by PNHB under the equity method of accounting. For the FYE 31 December 2013, SYABAS recorded consolidated revenue of RM2.97 billion and incurred LAT of RM98.01 million.

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Our Company intends to utilise approximately RM1,017.7 million from the proceeds arising from the Proposed Disposals for future investments to enhance the income-generating capability of our Group. However, there is no assurance that our Company will be successful in finding suitable investments or that the future investments will be successful and able to generate sufficient earnings to compensate for the loss of contribution arising from the Proposed Disposals. To mitigate such risks, our Company will actively seek to identify suitable investments as well as take reasonable steps including assessing the merits and risks of each investment as well as conducting due diligence on the proposed investments.

8.4 Termination or non-renewal of licenses

Our Company had announced on 10 March 2014 that PNSB had been informed by LUAS that in line with the decision of the State Government on 12 February 2014, the water treatment concession companies in Selangor will only be allowed to conduct raw water abstraction activities until the expiry of the existing raw water abstraction license on 31 May 2014, following which there will be no renewal of license thereof unless further directive is issued by the State Government. PNSB will not be able to operate its water treatment plants without the renewal of the raw water abstraction licence from LUAS. Currently, PNSB conducts the raw water abstraction activities via a consent order for interim relief pending appeal obtained on 30 May 2014 from the Court of Appeal.

The legal case is currently pending and the mention of PNSB's appeal against the decision of the Kuala Lumpur High Court on 29 May 2014 dismissing PNSB's substantive application for Judicial Review has been fixed on 16 February 2015.

There is no assurance that our Group's other water concession related licenses will not be terminated, revoked or renewed by the State Government. In the event our Group's water concession related licenses are terminated, revoked or not renewed, it will have an adverse material effect on our Group's water concession businesses.

8.5 Potential claims under the SPA

Under the terms of the SPA, where the claims in respect of the CA-related business are in excess of RM10,000,000, Air Selangor is entitled to claim against PNHB for such excess amount but subject to any such claim being made within 18 months from the Completion Date of the SPA. There can be no assurance that Air Selangor will not make any claims during the said period under the SPA. In the event of such claims and depending on the amount of such claims, it may have a material adverse effect on the financial position of our Group. Our Board confirms that, to the best of their knowledge, as at the LPD, there are no circumstances which would give rise to a breach of PNHB's warranties under the SPA.

9. EFFECTS OF THE PROPOSED DISPOSALS

9.1 Share capital and substantial shareholders' shareholding

The Proposed Disposals will not have any effect on the share capital and substantial shareholders' shareholdings of PNHB as the Proposed Disposals do not involve any issuance of new PNHB Shares.

Our Company presently holds 2,036,800 treasury shares. Our Board intends for the Company to retain such treasury shares until completion of the Proposed Disposals and the Proposed Distribution.

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9.2 Earnings and EPS

Save for the expected gain arising from the Proposed Disposals, the Proposed Disposals are not expected to have a material effect on the earnings of our Group for the FYE 31 December 2014.

Our Group is expected to realise a gain upon completion of the Proposed Disposals. For illustration purpose, the estimated net gain attributable to the owners of our Company is approximately RM414.69 million net of transaction costs based on the proforma statement of financial position of our Group as at 31 December 2013 which represents an EPS of approximately RM1.01.

The actual gain will vary depending on the carrying value of PNSB and SYABAS assets and liabilities disposed of at the Completion Date of the SPA.

The computation on the estimated net gain from the Proposed Disposals are as follows:

	RM'000
Proceeds from the Proposed Disposals	1,555,300
Carrying value of assets less liabilities disposed of	(1,137,311)
Less: Estimated expenses incidental to the Proposed Disposals	<u>(3,300)</u>
	<u>414,689</u>
 Net gain per share (RM)	 1.01

Assuming the benefits arising from the utilisation of proceeds materialise, the proceeds received from the Proposed Disposals are expected to strengthen our Group's future ability to generate earnings through the contributions from the proposed future investments.

For illustration purposes, assuming that the Proposed Disposals had been completed prior to 1 January 2013, the proforma effects on our Company's consolidated EPS for the FYE 31 December 2013 are as follows:

	FYE 31 December 2013⁽¹⁾ RM'000	After the Proposed Disposals RM'000
Consolidated PAT attributable to owners of our Company	200,551	200,551
Less: PAT of PNSB and SYABAS attributable to our Group	-	(220,343)
 Consolidated PAT/(LAT) attributable to owners of our Company	 200,551	 (19,792)
 Number of PNHB Shares in issue ⁽²⁾ ('000)	 409,224	 409,224
EPS / (LPS) (sen)	49	(5)

Notes:

(1) As extracted from the audited consolidated financial statements of our Company for the FYE 31 December 2013.

(2) Excluding 2,036,800 PNHB Shares held as treasury shares.

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9.3 NA per share and gearing

Based on the latest audited consolidated financial statements of our Company as at 31 December 2013, the proforma effects of the Proposed Disposals on our Company's NA per share and gearing are set out as follows:

		(I)	(II)	(III)
	As at 31 December 2013	After the Proposed Disposals	After (I) and assuming full exercise of all outstanding warrants and full conversion of all outstanding RCSSI	After (II) and the Proposed Distribution ⁽³⁾
	RM'000	RM'000	RM'000	RM'000
Share capital	411,261	411,261	534,554	534,554
Share premium	102,879	102,879	185,379	185,379
Treasury shares	(5,941)	(5,941)	(5,941)	(5,941)
Equity component of the RCSSI	6,770	6,770	-	-
Reserves	(266,439)	54,215	54,215	54,215
Retained earnings	1,528,226	1,622,259	1,602,133	1,067,833
Owners' equity	<u>1,776,756</u>	<u>2,191,443</u>	<u>2,370,340</u>	<u>1,836,040</u>
Number of Shares outstanding ⁽¹⁾ ('000)	409,224	409,224	532,517	532,517
NA per share (RM) ⁽²⁾	4.33	5.34	4.45	3.45
Total borrowings (RM'000) ⁽⁴⁾	2,053,751	328,575	191,861	191,861
Gearing (times)	1.16	0.15	0.08	0.10

Notes:

- (1) Excluding 2,036,800 PNHB Shares held as treasury shares.
- (2) NA per share attributable to the ordinary shareholders is calculated by dividing the owners' equity (excluding the equity component of the RCSSI) by the number of ordinary shares outstanding as the equity component of the RCSSI of RM6.77 million is only attributable to the holders of the RCSSI.
- (3) Assuming cash dividend payment of RM534.3 million pursuant to the Proposed Distribution.
- (4) The reduction in total borrowings is as illustrated below:

	RM'000
Balance at 31 December 2013	2,053,751
Disposal of PNSB	<u>(1,725,176)</u>
Balance after Proforma I	328,575
Full conversion of all outstanding RCSSI	<u>(136,714)</u>
Balance after Proforma II & III	<u>191,861</u>

For clarity, the proceeds from the Proposed Disposals will not be used to reduce the total borrowings of our Group.

10. APPROVALS REQUIRED

The Proposed Disposals are conditional upon the following approvals being obtained:

- (i) the approval of at least 75% in value of our shareholders present and voting either in person or by proxy at our forthcoming EGM;
- (ii) the approval(s) or consent(s) which form part of the conditions precedent of the SPA as set out in Section 2.3.4 of this Circular; and
- (iii) any other relevant authorities / parties, if required.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDER(S) AND/OR PERSONS CONNECTED WITH THEM

None of our Directors and/or major shareholders and/or persons connected with a Director or major shareholder of our Company has any interest, either direct or indirect, in the Proposed Disposals.

For information purposes, Tan Sri Rozali Bin Ismail is our Company's Executive Chairman and major shareholder holding 40.87% direct and indirect equity interest as at the LPD, collectively in our Company, for which his rights and entitlements rank equally with all other shareholders of our Company and he has informed the Board that he intends to exercise his right as a shareholder of our Company to vote in favour of the resolutions pertaining to the Proposed Disposals to be tabled at our forthcoming EGM.

The details of the equity interest of our major shareholders (i.e. holding 10% or more of the aggregate of the nominal amount of all the voting shares) as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Shares	% Held ⁽¹⁾	No. of Shares	% Held ⁽¹⁾
Tan Sri Rozali Bin Ismail	1,729,000	0.42	167,391,114 ⁽²⁾	40.45 ⁽²⁾
Central Plus (M) Sdn Bhd	74,498,487	18.00	29,420,000 ⁽³⁾	7.11 ⁽³⁾
Corporate Line (M) Sdn Bhd	44,118,627	10.66	19,000,000 ⁽³⁾	4.59 ⁽³⁾

Notes :

(1) Excluding a total of 2,036,800 PNHB Shares bought back and retained as treasury shares as at 28 November 2014.

(2) Deemed interest by virtue of 100% equity interest each in Central Plus (M) Sdn Bhd and Corporate Line (M) Sdn Bhd of which 55% is held in his own name and 45% is held in his spouse's and children's names respectively, and deemed interest by virtue of equity interest held in his son's name.

(3) Held in nominee name(s).

12. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed Disposals, including but not limited to the rationale, risk factors, the Proposed Distribution and future prospects of the PNHB Group as well as the valuation carried out by the Independent Valuer and the findings of the Independent Adviser, is of the opinion that the Proposed Disposals are fair and reasonable and in the best interests of PNHB.

Our Board is also satisfied that Air Selangor has adequate financial resources to acquire PNSB and SYABAS in view that Air Selangor is a wholly owned subsidiary of KDEB, which in turn is a wholly-owned subsidiary of MBI and is the State Government's investment arm.

Accordingly, our Board recommends that you vote in favour of the resolutions pertaining to the Proposed Disposals and the Proposed Distribution to be tabled at our forthcoming EGM.

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13. OTHER INTENDED CORPORATE EXERCISE/SCHEME WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposed Disposals and Proposed Distribution, our Board confirms that, there are no other outstanding corporate exercises which have been announced by our Company but not yet completed as at the LPD.

The Proposed Disposals and Proposed Distribution are not conditional upon any other proposals. The Proposed Distribution is conditional upon the Proposed Disposals.

14. TENTATIVE TIMETABLE FOR THE PROPOSED DISPOSALS

Barring any unforeseen circumstances, the Proposed Disposals are expected to be completed by the first quarter of 2015. The tentative timetable for the Proposed Disposals is as follows:

Event	Tentative Date
EGM	7 January 2015
Completion of the Proposed Disposals	Mid January 2015

15. INDEPENDENT ADVISER

In view that the Proposed Disposals are deemed a major disposal pursuant to paragraph 10.11A of the Listing Requirements, KAF Investment Bank Berhad has been appointed by our Company to act as the Independent Adviser in relation to the Proposed Disposals. The role of the Independent Adviser is as follows:

- (i) comment as to whether the Proposed Disposals are fair and reasonable in so far as the shareholders of PNHB are concerned, including the reasons for, the key assumptions made and the factors taken into consideration in forming such opinion;
- (ii) advise the shareholders of PNHB whether they should vote in favour of the Proposed Disposals; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (i) and (ii) above.

The Independent Advice Circular containing the Independent Adviser's recommendation and evaluation on the Proposed Disposals will be despatched to our shareholders separately before the EGM. You are advised to read and consider the contents of the Independent Advice Circular (together with this Circular) carefully before voting on the resolution pertaining to the Proposed Disposals to be tabled at our forthcoming EGM.

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16. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at Concorde I, Concorde Hotel Shah Alam, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 7 January 2015 at 10.00 a.m., or any adjournment thereof, to consider and, if thought fit, to pass the resolution(s) to give effect to the Proposed Disposals and the Proposed Distribution.

The Proxy Form for the forthcoming EGM is enclosed in this Circular. If you are unable to attend and vote in person at the EGM, you are requested to complete and return the Proxy Form in accordance with the instructions printed thereon as soon as possible so as to arrive at the office of our Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. The lodging of the Proxy Form does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

17. FURTHER INFORMATION

You are requested to refer to the appendices for further information.

Yours faithfully,
For and on behalf of the Board of
PUNCAK NIAGA HOLDINGS BERHAD

YBhg Tan Sri Dato' Seri Dr Ting Chew Peh
Independent Non-Executive Director

INFORMATION ON PNSB

1. HISTORY AND BUSINESS

PNSB was incorporated in Malaysia under the Act on 2 October 1989 as a private limited company. PNSB is a wholly-owned subsidiary of PNHB.

PNSB is principally involved in the operation, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities. As at the LPD, PNSB holds five (5) water treatment concessions and operates, manages and maintains 29 water treatment plants in Selangor and Kuala Lumpur.

2. SHARE CAPITAL

The authorised share capital and the issued and paid-up share capital of PNSB as at the LPD are as follows:

	No. of shares	Par value RM	Total RM
<u>Authorised</u>			
Ordinary shares	200,000,000	1.00	200,000,000
PNSB CCRPS ⁽¹⁾	48,000,000	0.10	4,800,000
<u>Issued and fully paid-up</u>			
Ordinary shares	10,000,000	1.00	10,000,000
PNSB CCRPS ⁽¹⁾	48,000,000	0.10	4,800,000

Note:

(1) The PNSB CCRPS which were issued at an issue price of RM1.00 each, shall be redeemed or converted at any time from the date of issue and allotment i.e. 28 December 1996, until after 24 months from the said date, or any further period as may be extended by PNSB. In the event of redemption, each PNSB CCRPS shall be redeemed for RM1.00 per share. In the event of conversion, every ten (10) PNSB CCRPS shall be converted into one (1) ordinary share of RM1.00 each in PNSB. The PNSB CCRPS has a variable rate cumulative preferential dividend to be determined by PNSB, but subject to a cap of 100% of the issued price of the PNSB CCRPS.

3. BOARD OF DIRECTORS

The directors of PNSB and their respective shareholdings in PNSB as at the LPD are as follows:

Directors	Designation	Nationality	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Tan Sri Rozali Bin Ismail	Director	Malaysian	-	-	10,000,000 ⁽¹⁾	100.0
Dato' Syed Danial Bin Syed Ariffin	Director	Malaysian	-	-	-	-
Dato' Nasir Khan Bin Illadad Khan	Director	Malaysian	-	-	-	-
Ng Wah Tar	Director	Malaysian	-	-	-	-

Note:

(1) Deemed interest by virtue of his direct and indirect interest in PNHB.

4. SUBSTANTIAL SHAREHOLDERS

PNSB is a wholly-owned subsidiary of PNHB.

INFORMATION ON PNSB (Cont'd)**5. SUBSIDIARY AND ASSOCIATED COMPANIES**

Save as disclosed below, PNSB does not have any other subsidiary or associated companies as at the LPD:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	Equity interest %	Principal activities
Ideal Water Resources Sdn. Bhd	12 March 1996, Malaysia	2	100.0	Ceased operations
Unggul Raya (M) Sdn. Bhd.	17 April 1990, Malaysia	100	100.0	Ceased operations

6. FINANCIAL INFORMATION

The key financial information of PNSB based on the audited financial statements for the FYE 31 December 2011 to 2013 and the unaudited nine (9)-month FPE 30 September 2014 are summarised as follows:

	← FYE 31 December →			9-month FPE 30 September 2014
	2011 RM'000	2012 RM'000	2013 RM'000	RM'000
Revenue	709,895	777,613	684,411	427,529
PBT	360,795	255,085	282,088	219,832
PAT	258,292	209,602	234,164	174,710
Total equity attributable to owner of PNSB	1,208,946	1,418,548	1,652,712	1,827,422
Ordinary paid-up capital	10,000	10,000	10,000	10,000
Total interest bearing borrowings	1,666,193	1,684,355	1,691,458	1,697,033
NA per ordinary share (RM) ⁽¹⁾	120.41	141.37	164.79	182.26
Gross EPS (RM)	36.08	25.51	28.21	21.98
Net EPS (RM)	25.83	20.96	23.42	17.47
Current ratio (times)	1.64	1.21	10.02	11.82
Gearing ratio (times)	1.38	1.19	1.02	0.93

Note:

(1) NA per share attributable to the ordinary shareholders is calculated by dividing the total equity attributable to owner of PNSB (excluding PNSB CCRPS) by the number of ordinary shares outstanding as the PNSB CCRPS of RM4,800,000 is only attributable to the holders of PNSB CCRPS.

Commentaries**FYE 31 December 2011**

For the FYE 31 December 2011, PNSB recorded an increase in revenue of 38.3% to RM709.90 million compared with RM513.41 million recorded for the FYE 31 December 2010. The increase in revenue was mainly due to the increase in construction revenue from RM6.0 million to RM187.0 million, arising from Project Bekalan Air Luar Bandar (BALB) in Sarawak.

INFORMATION ON PNSB (Cont'd)

For the FYE 31 December 2011, PBT increased by 86.0% to RM360.80 million from PBT of RM194.01 million recorded for the FYE 31 December 2010. The increase was mainly due to higher profit recognition for Project Bekalan Luar Bandar (BALB) in Sarawak and recognition of fair value gain from long-term liabilities.

FYE 31 December 2012

For the FYE 31 December 2012, PNSB recorded revenue of RM777.61 million, representing an increase of 9.5% from RM709.90 million recorded for the FYE 31 December 2011. The increase in revenue was mainly due to increase in sales of treated water and increase in construction revenue.

Despite the higher revenue, PBT decreased by 29.3% to RM255.09 million for the FYE 31 December 2012 compared with PBT of RM360.80 million recorded for the FYE 31 December 2011. The lower PBT was mainly due to additional construction cost incurred to remedy the works of non-performing sub-contractor.

FYE 31 December 2013

For the FYE 31 December 2013, revenue decreased by 12.0% to RM684.41 million from RM777.61 million recorded for the FYE 31 December 2012. The lower revenue was mainly due to the decrease in the construction revenue from RM217.70 million in the FYE 31 December 2012 to RM119.32 million for the FYE 31 December 2013. This decrease was mainly due to lower revenue for Project Bekalan Air Luar Bandar (BALB) in Sarawak as this project is at its final stage.

Notwithstanding the lower revenue generated for the FYE 31 December 2013, PNSB recorded an increase in PBT of RM27.0 million. The increase in PBT from the FYE 31 December 2012 of RM255.09 million to RM282.09 million for the FYE 31 December 2013 represented an increase of 10.6%. This increase was mainly due to decrease in operating cost and higher late payment interest charged to SYABAS.

Unaudited nine (9) months FPE 30 September 2014

For the FPE 30 September 2014, PNSB recorded revenue of RM427.53 million, a decrease of 11.2% compared with the preceding year corresponding period, mainly due to the decrease in construction revenue which only contributed RM11.72 million for the financial period under review.

With the lower revenue generated for the FPE 30 September 2014, PNSB recorded PBT of RM219.83 million, a 21.6% decrease compared with the preceding year corresponding period, mainly due to increase in operating cost and provision of impairment loss on long-term trade receivables.

Adoption of accounting policies

PNSB has not adopted any accounting policies which are peculiar because of the nature of business and/or the industry in which it is involved in. PNSB's accounting policies are consistent with those adopted in the financial statements in the respective financial years under review and are in accordance with the Malaysian Financial Reporting Standards / International Financial Reporting Standards.

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INFORMATION ON PNSB (Cont'd)

7. MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**7.1 Material commitments**

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by the PNSB Group.

Capital expenditure as at the LPD is as follows:

	RM'000
Contracts approved and contracted for	<u>27,058</u>

7.2 Contingent liabilities

Save as disclosed below, as at the LPD, there are no other contingent liabilities which may, upon being enforceable, have a material adverse effect on PNSB Group's financial position.

Tax penalty - PNSB

PNSB recognised all the invoices issued to SYABAS in its profit or loss for the supply of treated water as revenue.

PNSB had appealed to the Inland Revenue Board to revise the tax computations for Year Assessment ("YA") 2009 to YA2011 to take into account the following tax adjustments:

- (i) to claim a deduction under Section 34(2) of the Income Tax Act 1967 ("ITA") in respect of the amount owing from SYABAS for treated water supplied which was not collectible as at end of the basis period for YA2009 to YA2011 respectively; and
- (ii) to include as gross income and subject to tax on the bad and doubtful debts claimed as tax deduction under item (i) above which was recovered from SYABAS in the subsequent years of assessment pursuant to Section 30(1) of the ITA, i.e. when the payment is received from SYABAS, it will become taxable.

PNSB had fully paid all the tax instalments for YA2009, YA2010 and YA2011 and is appealing for tax refund from IRB.

IRB had replied to PNSB's petition of appeal on 5 August 2013 wherein IRB had requested PNSB to prove that the amount owing by SYABAS is bad debts pursuant to Section 34(2) of the Act. PNSB's tax solicitors had replied to IRB and the matter is now awaiting for a case management date.

PNSB had submitted a RM Nil tax payable for YA2012 and estimated the tax payable for YA2013 based on the same approach as the tax appeal above. Nevertheless, deferred tax liabilities have been provided accordingly.

In the event that IRB does not grant approval to PNSB to claim a deduction under Section 34(2) of the ITA in respect of amount owing from SYABAS for treated water supplied, PNSB will be exposed to a potential tax penalty under Section 107C(10) of the ITA for YA2012 in respect of late payment of tax. PNSB had expressed its awareness on the matter and the final outcome will be based on IRB's decision on the matter.

As at the reporting date, there is a potential tax penalty, pending the outcome of PNSB's appeal to IRB. PNSB's appeal for the Special Commission of Income Tax is fixed for hearing on 7, 8 and 9 April 2015.

INFORMATION ON PNSB (Cont'd)

8. MATERIAL CONTRACTS

PNSB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

9. MATERIAL LITIGATION

Save as disclosed below, PNSB Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against the PNSB Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of PNSB Group.

9.1 PNSB vs State Government**Kuala Lumpur High Court Originating Summons No: 24NCVC-369-02/2013**

PNSB had on 18 February 2013 instituted legal proceedings against the State Government via the filing of the relevant cause papers all dated 18 February 2013 at the High Court in relation to the Operation and Maintenance Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between PNSB and State Government and the Novation Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between PNSB, SYABAS and the State Government ("the Agreements").

In the Originating Summons and the Notice of Application dated 18 February 2013, PNSB is seeking for the following:

- (i) a declaration that the Agreements between PNSB and the State Government dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between PNSB, SYABAS and the State Government are valid and enforceable pursuant to the WSIA;
- (ii) an order against the State Government for specific performance of the Agreements;
- (iii) that the State Government whether by its servants, agents or howsoever be restrained from terminating the Operation and Maintenance Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between PNSB and the State Government and the Novation Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between PNSB, SYABAS and the State Government;
- (iv) that the State Government whether by its servants, agents or howsoever be restrained from handing over howsoever the operations and managements of the Sungai Sireh Water Treatment Plant as defined in the Agreements to Konsortium Air Selangor Bhd or whomsoever;
- (v) costs; and
- (vi) such further or other relief as the Honourable Court deems just and fit.

The solicitors of PNSB had on 20 February 2013 served the Sealed Copy of Originating Summons, Sealed Copy of Notice of Application and a copy of the Plaintiffs Affidavit in respect of the Suit on the State Government.

The High Court has fixed the matter for hearing on 11 March 2013.

At the hearing held on 11 March 2013, the High Court has directed as follows:

- (i) that Parties are to exhaust the exchange of affidavits by 4 June 2013; and
- (ii) the Originating Summons has been fixed for hearing on 4 June 2013.

INFORMATION ON PNSB (Cont'd)

The hearing date scheduled on 4 June 2013 was rescheduled to a case management by the Kuala Lumpur High Court as the State Government had filed an application to strike out the Suit by PNSB.

At the said case management, the Kuala Lumpur High Court directed the parties to file their respective Written Submission and Submissions in Reply in respect of the State Government's said application and scheduled the matter for decision on 10 July 2013.

The Kuala Lumpur High Court had on 9 July 2013 deferred the decision on the State Government's application to strike out the Suit from 10 July 2013 to 17 July 2013.

On 17 July 2013, the Kuala Lumpur High Court had deferred the decision on the State Government's application to strike out the Suit from 17 July 2013 to 5 August 2013.

On 5 August 2013, the Kuala Lumpur High Court allowed the State Government's application to strike out the Suit with costs. PNSB will seek its solicitors' advice on the next course action for the above matter.

PNSB had on 30 August 2013 filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the State Government's application to strike out with the Suit with costs.

At the hearing held on 6 November 2013 on PNSB's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the State Government's application to strike out the Suit with costs, the Court of Appeal allowed PNSB's appeal with no order as to costs.

On 10 February 2014, the State Government had filed an application for leave to the Federal Court to appeal against the decision of the Court of Appeal on 6 November 2013 allowing PNSB's appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the State Government's application to strike out the Suit with costs.

The Federal Court had scheduled the hearing of the State Government's application for leave on 2 April 2014.

At the hearing held on 2 April 2014, the Federal Court dismissed the State Government's application for leave to appeal against the decision of the Court of Appeal on 6 November 2013 with costs of RM10,000.

On 4 July 2014, the Kuala Lumpur High Court has fixed the Case Management of PNSB's Originating Summons on 10 July 2014.

On 10 July 2014, the Kuala Lumpur High Court has fixed the Case Management of PNSB's Originating Summons on 17 September 2014.

On 17 September 2014, the Kuala Lumpur High Court has fixed the Case Management of PNSB's Originating Summons on 3 December 2014.

On 3 December 2014, the Kuala Lumpur High Court has fixed a further Case Management of PNSB's Originating Summons on 17 February 2015.

The solicitors acting for PNSB are of the view that PNSB has a strong arguable case.

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INFORMATION ON PNSB (Cont'd)

9.2 PNSB vs LUAS and the State Government**Kuala Lumpur High Court Judicial Review No: R2-25-67-03/2014**

On 20 March 2014, PNSB had filed an application in the Kuala Lumpur High Court for leave to issue Judicial Review proceedings against the decision of LUAS and the State Government as notified by LUAS to PNSB via a letter dated 7 March 2014 to not renew PNSB's raw water abstraction licenses beyond 31 May 2014.

On 27 March 2014, PNSB obtained Leave from the Kuala Lumpur High Court to bring Judicial Review proceedings against LUAS and the State Government ("**Judicial Review Proceedings**"). At the case management held on 10 April 2014 in respect of the Judicial Review proceedings the Kuala Lumpur High Court gave directions for the parties to file and exchange affidavits in reply and outline the submissions in respect of both the interim relief and substantive applications.

The application for interim relief fixed for hearing on 5 May 2014 was adjourned to 14 May 2014 whilst the hearing of the substantive application was fixed on 16 May 2014.

The hearing of the substantive application was re-scheduled by the Kuala Lumpur High Court to 19 May 2014. On 19 May 2014, the hearing of PNSB's substantive application was fixed for decision on 28 May 2014. On 28 May 2014, the decision was postponed by the Kuala Lumpur High Court to 29 May 2014.

At the hearing held on 29 May 2014, the Kuala Lumpur High Court had dismissed the substantive application for Judicial Review Proceedings filed by PNSB against LUAS and the State Government with costs of RM15,000 to each Respondent.

The Kuala Lumpur High Court had also dismissed PNSB's oral application thereafter for a stay pending an appeal to the Court of Appeal.

Upon PNSB's instruction, PNSB's solicitors had filed a Notice of Appeal against the decision of the Kuala Lumpur High Court at the Registry of the High Court on 29 May 2014.

The solicitors acting for PNSB are of the view that PNSB has a strong case for Judicial Review.

9.3 PNSB vs LUAS and the State Government**Court of Appeal Civil Appeal No: W-01-179-05/2014**

In relation to the Kuala Lumpur High Court Application For Judicial Review No: R2-25-6703/2014 PNSB (Applicant) and LUAS and the State Government (Respondents) on the appeal of PNSB against the decision of the Kuala Lumpur High Court on 29 May 2014 dismissing PNSB's substantive application for Judicial Review as follows:-

On 30 May 2014, PNSB applied ex-parte and obtained an Order from the Court of Appeal that the decision of the Respondents or either of them as set-out in the 1st Respondent's letter dated 7 March 2014 ("**7.3.2014 Letter**") refusing the renewal of the Appellant's Water Source Abstraction Licenses No. SWAL:(B) 000520 to 000548 ("Licenses") for the period commencing 1 June 2014 be stayed and that all proceedings in relation to the said decision of the Respondents be stayed, including but not limited to the powers of the Respondents pursuant to section 59 (2) of the Selangor Waters Management Authority Enactment 1999, until the disposal of the Appellant's appeal by way of its Notice of Appeal dated 29 May 2014. The Court of Appeal further directed that PNSB's application as aforesaid be set down for inter-partes hearing on 11 June 2014.

On 11 June 2014, the appeal by PNSB, against the Kuala Lumpur High Court's decision on 29 May 2014 dismissing PNSB's substantive application for Judicial Review and inter-partes application for a continuance of the Order for interim relief pending appeal obtained on 30 May 2014, both fixed for hearing at the Court of Appeal, was adjourned by consent of all parties to 10 July 2014 for mention pending settlement negotiations between the parties. In the interim, by

INFORMATION ON PNSB (Cont'd)

consent of all parties, the Order for interim relief pending appeal obtained on 30 May 2014 has been continued.

On 10 July 2014, the Court of Appeal has fixed the Mention of PNSB's appeal against the decision of the Kuala Lumpur High Court on 29 May 2014 dismissing PNSB's substantive application for Judicial Review, on 1 December 2014. In the interim, the Order for interim relief pending appeal obtained on 30 May 2014 has been continued.

On 1 December 2014, the Court of Appeal has fixed the Mention of PNSB's appeal against the decision of the Kuala Lumpur High Court on 29 May 2014 dismissing PNSB's substantive application for Judicial Review, on 16 February 2015. In the interim, the Order for interim relief pending appeal obtained on 30 May 2014 has been continued.

The solicitors acting for PNSB are of the view that PNSB has a strong case for Judicial Review.

9.4 Tax Appeal before the Special Commissioners of Income Tax

Appellant : PNSB

Respondent : Ketua Pengarah Hasil Dalam Negeri

Appeal No : PKCP(R) 1/2013

The issue before the Special Commissioners of Income Tax is whether the Respondent has any legal basis to disallow the deductibility of the debt amounting to RM629,008,059 which is owed by SYABAS to the Appellant under Section 34(2) of the ITA.

On 31 July 2012, the Appellant submitted its tax return ("Form C") and its tax computation for the YA 2011. Pursuant to Section 90(1) and Section 90(2) of the ITA, the said Form C is deemed to be a notice of assessment raised and served on the Appellant for the YA 2011 on 31 July 2012.

The Appellant on 3 August 2012 filed a Notice of Appeal against the said notice of assessment for the YA 2011.

On 5 April 2013, the Appellant filed its Petition of Appeal to the Special Commissioners of Income Tax and served the same on the Respondent.

On 5 August 2013, the Respondent file its Reply to the Appellant's Petition of Appeal to the Special Commissioners of Income Tax and served the same on the Appellant.

The Appellant on 19 August 2013 filed its Reply to the Respondent's Reply to Appellant's Petition of Appeal to the Special Commissioners of Income Tax and served the same on the Respondent.

On 1 November 2013, pursuant to the instructions of the Special Commissioners of Income Tax, the parties filed the Statement of Agreed Facts. The Appellant also filed the Appellant's Statement of Issues to be tried.

On 5 December 2013, the Appellant filed the Index to the Bundles of Agreed Documents to the Special Commissioners of Income Tax and served the same on the Appellant.

On 6 December 2013, the Special Commissioner of Income Tax fixed the Appeal for Hearing on 7 April 2015, 8 April 2015 and 9 April 2015.

The Solicitors in charge and handling this case is of the opinion that the Appellant has an arguable case to contend that the debts owed by SYABAS are bad debts which are deductible under Section 34(2) of the ITA for the reasons contained in the Appellant's Petition of Appeal dated 5 April 2013 and the Appellant's Reply dated 19 August 2013.

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INFORMATION ON PNSB (Cont'd)

10. CONCESSIONS HELD**10.1 Privatisation cum concession agreement dated 22 September 1994 ("PCCA")****(i) Details of the concession****(a) Nature of concession**

The PCCA was awarded to PNSB on 22 September 1994 on a Transfer-Operate-Transfer ("TOT") basis, to take over, operate, maintain, manage, rehabilitate and refurbish existing water treatment plants located in Selangor and Federal Territory of Kuala Lumpur from the date of issuance of the certificate of hand over to 31 December 2020.

Pursuant to a novation agreement to the PCCA dated 31 December 2004 between the State Government, PNSB and SYABAS, SYABAS shall assume the State Government's obligations under the PCCA with effect from 1 January 2005 for the purchase and payment of treated water to PNSB, the quality of treated water and all operational matters relating to such purchase, payment and quality of treated water.

Pursuant to a supplemental agreement in relation to the PCCA dated 31 December 2004 ("**PCCA Supplemental Agreement**") between the State Government and PNSB, PNSB agrees to a two percent (2%) reduction in the amounts outstanding and owing to PNSB under the PCCA as at 30 June 2004. PNSB further agrees to an eight percent (8%) reduction, with effect from 1 July 2004 in the monthly billings to the State Government under the PCCA.

In addition, PNSB shall be responsible for the management and operation of the Klang Gates, Tasik Subang and Sungai Langat Dams.

(b) Duration and exclusivity of concession

26 years, exclusivity not mentioned.

(c) Salient terms and conditions

The PCCA was awarded to PNSB in line with the State Government's privatisation programme to undertake the following (hereinafter referred to as the "**PCCA Project**"):

- (aa) the operation, maintenance and management of certain existing water treatment facilities operated by Jabatan Bekalan Air Selangor Darul Ehsan (the "**PCCA Facilities**"); and
- (bb) the rehabilitation and the refurbishment of the PCCA Facilities at its sole cost and expense,

In consideration of PNSB undertaking the execution and implementation of the PCCA Project, PNSB shall have the concession to supply in bulk of treated water for a monthly payment based on a multiplication of the specific rate and the actual volume of treated water supplied.

Pursuant to the PCCA Supplemental Agreement, PNSB shall further be responsible for the management and operation of the Klang Gates, Tasik Subang and Sg. Langat Dams (collectively, the "**Dams**") in accordance with the "Guidelines for the Operation and Maintenance and Surveillance of Dams" issue by the Malaysian Inter-Departmental Committee on Dam Safety. The State Government shall at all times be and remain the owner of the Dams and PNSB

INFORMATION ON PNSB (Cont'd)

shall have the right to occupy the Dams for the duration of the period up to 31 December 2020 commencing from the date of issuance of the certificate of hand over and such extension or extensions (if any) thereto.

(d) Rights, interest and major obligations

Obligations:

- (aa) to take-over, operate and maintain specified existing water treatment facilities operated by Jabatan Bekalan Air Selangor. This includes the staff quarters of the specified water treatment facilities;
- (bb) to refurbish and rehabilitate the water treatment facilities taken-over;
- (cc) to supply treated water in the agreed volume and quality; and
- (dd) to produce the treated water at the Designated Quantity and at a stipulated quality, and to produce such additional volume of water as instructed by the State Government provided such additional volume is within the maximum production capacity of the facilities.

Rights:

To supply bulk treated water to the State Government for the concession period for a monthly payment which comprises the Bulk Supply Rate multiplied with the actual volume of treated water supplied to the State Government based on the formula in accordance with the PCCA.

(e) Regulation under which the concession is granted

WSIA, Suruhanjaya Perkhidmatan Air Negara Act 2006 and Selangor Waters Management Authority Enactment 1999.

(ii) Nature of relationship with concession giver

Contractual

(iii) Construction risk

There was no construction risk as PNSB was only required to carry out refurbishment works.

(iv) Dependence on concession giver

Contractual

(v) Financing requirements and sources of funding

Under the terms of the PCCA, a sum of RM150 million has been allocated by PNSB for the rehabilitating and upgrading of the existing facilities.

PNSB had sourced the funding of RM150 million through loans and other debt facilities on both fixed rate and floating rate terms.

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INFORMATION ON PNSB (Cont'd)

10.2 Construction cum operation agreement dated 22 March 1995 ("CCOA")**(i) Details of the concession****(a) Nature of concession**

The CCOA was awarded to PNSB on 22 March 1995 on a Build-Operate-Transfer ("**BOT**") basis, to design, construct, operate, maintain and manage the new water treatment facilities, namely the Sungai Selangor Water Supply Scheme Phase 2, Stages I and II ("**SSP 2**") from the date of the CCOA to 31 December 2020.

Pursuant to a novation agreement to the CCOA dated 31 December 2004 between the State Government, PNSB and SYABAS, SYABAS shall assume the State Government's obligations under the CCOA with effect from 1 January 2005 for the purchase and payment of treated water to PNSB, the quality of treated water and all operational matters relating to such purchase, payment and quality of treated water.

Pursuant to a supplemental agreement in relation to the CCOA dated 31 December 2004 between the State Government and PNSB, PNSB agrees to a two percent (2%) reduction in the amounts outstanding and owing to PNSB under the CCOA as at 30 June 2004. PNSB further agrees to an eight percent (8%) reduction, with effect from 1 July 2004 in the monthly billings to the State Government under the CCOA.

(b) Duration and exclusivity of concession

26 years, exclusivity not mentioned.

(c) Salient terms and conditions

PNSB has been given the right to supply in bulk treated water to the State Government for the contract period and the State Government shall pay a fixed monthly payment of RM1.75 million after the completion of Stage I and RM3.5 million after the completion of Stage II. The rate to be paid for the bulk supply of treated water pursuant to the PCCA will also be revised upwards upon completion of Stage I and again on the confirmation of Stage II.

In all other material respects, the CCOA is similar to the PCCA.

(d) Rights, interest and major obligations**Obligations:**

The obligations of PNSB under the CCOA is to undertake the implementation, construction of a scheme and the operation maintenance and management thereof upon sectional completion of the same.

Rights:

To supply bulk treated water to the State Government for the concession period for a monthly payment which comprises the Bulk Supply Rate multiplied with the actual volume of treated water supplied to the State Government based on the formula in accordance with the CCOA.

INFORMATION ON PNSB (Cont'd)

(e) Regulation under which the concession is granted

WSIA, Suruhanjaya Perkhidmatan Air Negara Act 2006 and Selangor Waters Management Authority Enactment 1999.

(ii) Nature of relationship with concession giver

Contractual

(iii) Construction risk

The construction contract has set a maximum construction period of 32 months for Stage I and 31 months for Stage II inclusive of commissioning and the completion tests to meet performance specifications. There will be no extension of time for delay except for variation orders given by PNSB and for reasons giving rise to similar extensions under the concession agreement, such as force majeure⁶.

For new facilities, PNSB will have the right not to certify completion in the event of any serious performance shortfall identified during performance testing. This is provided for in the construction contract. The construction contractor will then be liable to pay liquidated ascertained damages to cover PNSB's fixed costs, debt service obligations and any liquidated ascertained damages payable to the State Government.

(iv) Dependence on concession giver

Contractual

(v) Financing requirements and sources of funding

The total development costs is approximately RM1,270.63 million with RM739.03 million to be incurred for Stage I and RM531.60 million for Stage II.

The total funded project cost up to completion of both existing and new facilities, including other development costs, interest and bank fees incurred during construction is estimated to be RM1,833.62 million.

The source of funding was raised through loans and other debt facilities amounting to RM1.10 billion on both fixed and floating rate terms.

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⁶ A force majeure is any event or circumstance (whether arising from acts of God, natural causes, human agency or otherwise including war, hostilities, armed conflict, earthquake, floods, storms, etc.) beyond the control of PNSB and not reasonably contemplated as an experienced and competent operator including but without prejudice to the generality of the foregoing expression any event not within the control of PNSB which delays the due performance of the CCOA or which renders the CCOA incapable of being performed and which, by the exercise of due diligence PNSB is not able to overcome.

INFORMATION ON PNSB (Cont'd)

10.3 Wangsa Maju concession agreement dated 31 December 2004 ("WMCA")**(i) Details of the concession****(a) Nature of concession**

PNSB was given a right by the Federal Government to develop a water treatment plant and its related facilities in Wangsa Maju on 17 January 1998. The construction work commenced in January 1998 and was completed in July 1998. Subsequent to the completion, PNSB has been managing, operating and maintaining the water treatment plant. The concession agreement in relation to the Wangsa Maju water treatment plant which is for a period of 30 years ending 17 July 2028 was finalised and executed with the State Government on 31 December 2004. The WMCA is on a BOT basis.

Pursuant to a novation agreement to the WMCA dated 31 December 2004 between the State Government, PNSB and SYABAS, SYABAS shall assume the State Government's obligations under the WMCA with effect from 1 January 2005 for the purchase and payment of treated water to PNSB, the quality of treated water and all operational matters relating to such purchase, payment and quality of treated water.

(b) Duration and exclusivity of concession

30 years, exclusivity not mentioned.

(c) Salient terms and conditions

Pursuant to the WMCA, PNSB was granted the rights:

- (aa) to abstract raw water from the Klang Gates Dam, the Gombak River, or other sources agreed and to treat the same at the water treatment plant in Wangsa Maju and associated works ("**WM Facilities**");
- (bb) of access and exclusive use of the area comprising the land on which the WM Facilities are constructed and to operate, manage and maintain the WM Facilities; and
- (cc) to sell in bulk treated water produced from the operation of the WM Facilities.

By supplying in bulk treated water, PNSB will be entitled to payment of a flat rate of RM0.82/m³.

PNSB shall, at its own expense, conduct the requisite tests and analyses on samples of settled and treated water from the WM Facilities in accordance with the terms of the WMCA to ensure that the treated water is of the designated quality.

(d) Rights, interest and major obligations

Rights:

- (aa) to abstract raw water from the Klang Gates Dam, the Gombak River, or other sources agreed and to treat the same at the WM Facilities;
- (bb) access and exclusive use of the area comprising the land on which the WM Facilities are constructed; and

INFORMATION ON PNSB (Cont'd)

- (cc) to sell bulk treated water produced from the operation of the WM Facilities in accordance with the terms and conditions of the WMCA.

Obligations:

- (aa) to operate, manage and maintain the WM Facilities;
- (bb) to supply bulk treated water in the agreed volume and quality; and
- (cc) to produce the treated water at the designated quantity and at a designated quality.

- (e) Regulation under which the concession is granted

WSIA, Suruhanjaya Perkhidmatan Air Negara Act 2006 and Selangor Waters Management Authority Enactment 1999.

- (ii) **Nature of relationship with concession giver**

Contractual

- (iii) **Construction risk**

There is no construction risk involved as at the point of entering into the WMCA, PNSB had already completed the construction and commission of the WM Facilities.

- (iv) **Dependence on concession giver**

Contractual

- (v) **Financing requirements and sources of funding**

PNSB had obtained a Government Support Loan from the Federal Government in 1998 up to RM136 million to finance the construction of the WM facilities.

10.4 Sungai Lolo water treatment plant (extension) operations and maintenance agreement dated 16 August 2007 ("Sg Lolo WTP (Extension) O&M Agreement")

- (i) **Details of the concession**

- (a) Nature of concession

Pursuant to the Sg Lolo WTP (Extension) O&M Agreement between the State Government and PNSB, PNSB was appointed on 16 August 2007 on a TOT basis, as the operator to operate, manage, maintain and refurbish the raw water intake and the extended treatment plant situated on a 0.5 acre piece of land located in the District of Hulu Langat, Selangor Darul Ehsan and associated works (the "**Extended Facilities**"), for a concession period commencing on 1 December 2006 and expiring on 31 December 2034.

Pursuant to a novation agreement to the Sg Lolo WTP (Extension) O&M Agreement dated 16 August 2007 between the State Government, PNSB and SYABAS, SYABAS shall assume the State Government's rights, benefits, liabilities and obligations under the Sg Lolo WTP (Extension) O&M Agreement (except on matters relating to land and the maintenance of the raw water quality or matters which are not or are incapable of being exercised by or conferred on SYABAS under the law).

INFORMATION ON PNSB (Cont'd)

(b) Duration and exclusivity of concession

28 years, exclusivity not mentioned.

(c) Salient terms and conditions

Pursuant to the Sg Lolo WTP (Extension) O&M Agreement, PNSB was granted the rights:

- (aa) to abstract raw water from Sg Lolo or other sources agreed and to treat the same at the Extended Facilities;
- (bb) of access and exclusive use of the area comprising the land on which the Extended Facilities are constructed and to operate, manage, maintain and refurbish the Extended Facilities; and
- (cc) to sell in bulk treated water produced from the operation of the Extended Facilities.

By supplying in bulk treated water of a designated quantity, PNSB will be entitled monthly to payment of a fixed rate of 70 sen/m³ multiplied by the actual quantity of treated water supplied in addition to other agreed costs.

PNSB shall, in respect of the grant of the concession, pay to the State Government within 30 days of the commencement of each concession year concession fee in the sum of RM65.0 thousand.

PNSB shall, at its own expense, conduct the requisite tests and analyses on samples of settled and treated water from the Extended Facilities in accordance with the terms of the Sg Lolo WTP (Extension) O&M Agreement to ensure that the treated water is of the designated quality.

Pursuant to the Sg Lolo WTP (Extension) O&M Agreement, PNSB allocated a total sum of RM1.56 million to be expended during the concession period for the rehabilitation and the refurbishment of the Extended Facilities.

(d) Rights, interest and major obligations

Rights:

- (aa) to abstract raw water from Sg Lolo or other sources agreed and to treat the same at the Extended Facilities;
- (bb) access and exclusive use of the area comprising the land on which the Extended Facilities are constructed; and
- (cc) to sell bulk treated water for the concession period for a monthly payment based on the formula in accordance with the Sg Lolo WTP (Extension) O&M Agreement.

Obligations:

- (aa) to operate, manage, maintain and refurbish the Extended Facilities;
- (bb) to supply bulk treated water in the agreed volume and quality; and
- (cc) to produce the treated water at the designated quantity and at a designated quality.

INFORMATION ON PNSB (Cont'd)

(e) Regulation under which the concession is granted

WSIA, Suruhanjaya Perkhidmatan Air Negara Act 2006 and Selangor Waters Management Authority Enactment 1999.

(ii) Nature of relationship with concession giver

Contractual

(iii) Construction risk

There is no construction risk involved as there was no construction work involved at the point of entering into the Sg Lolo WTP (Extension) O&M Agreement

(iv) Dependence on concession giver

Contractual

(v) Financing requirements and sources of funding

Working capital requirements sourced via internally generated funds.

10.5 Sungai Sireh water treatment plant operations and maintenance agreement dated 7 March 2008 ("Sg Sireh WTP O&M Agreement")**(i) Details of the Concession****(a) Nature of Concession**

Pursuant to the Sg Sireh WTP O&M Agreement between the State Government and PNSB, PNSB was appointed on 7 March 2008 on a TOT basis, as the operator to operate, manage and maintain the raw water intake and the treatment plant situated on a 6.72 acres piece of land located beside a canal near Sungai Sireh, Tanjung Karang in the District of Kuala Selangor, Selangor Darul Ehsan and associated works (the "**Sg Sireh Facilities**") pursuant to clause 3(a)(vi) of the concession agreement dated 15 December 2004 between the Federal Government, the State Government and SYABAS, for a concession period of twenty seven (27) years, commencing on 1 April 2007 and expiring on 30 April 2034.

Pursuant to a novation agreement to the Sg Sireh WTP O&M Agreement dated 7 March 2008 between the State Government, PNSB and SYABAS, SYABAS shall assume the State Government's rights, benefits, liabilities and obligations under the Sg Sireh WTP O&M Agreement (except on matters relating to land and the maintenance of the raw water quality or matters which are not or are incapable of being exercised by or conferred on SYABAS under the law).

(b) Duration and exclusivity of concession

27 years, exclusivity not mentioned.

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INFORMATION ON PNSB (Cont'd)

(c) Salient terms and conditions

Pursuant to the Sg Sireh WTP O&M Agreement, PNSB was granted the rights:

- (aa) to abstract raw water from Sg Sireh or other sources agreed and to treat the same at the Sg Sireh Facilities;
- (bb) of access and exclusive use of the area comprising the land on which the Sg Sireh Facilities are constructed and to operate, manage, maintain and refurbish the Sg Sireh Facilities; and
- (cc) to sell in bulk treated water produced from the operation of the Sg Sireh Facilities.

By supplying in bulk treated water of a designated quantity, PNSB will be entitled monthly to payment of a fixed rate of 43 sen/m³ multiplied by the actual quantity of treated water supplied in addition to other agreed costs.

PNSB shall, in respect of the grant of the concession, pay to the State Government within 30 days of the commencement of each concession year concession fee in the sum of RM100.0 thousand.

PNSB shall, at its own expense, conduct the requisite tests and analyses on samples of settled and treated water from the Sg Sireh Facilities in accordance with the terms of the Sg Sireh WTP O&M Agreement to ensure that the treated water is of the designated quality.

Pursuant to the Sg Sireh WTP O&M Agreement, PNSB allocated a total sum of RM6.51 million to be expended during the concession period for the rehabilitation and the refurbishment of the Sg Sireh Facilities.

(d) Rights, interest and major obligations

Rights:

- (aa) to abstract raw water from Sg Sireh or other sources agreed and to treat the same at the Sg Sireh Facilities;
- (bb) access and exclusive use of the area comprising the land on which the Sg Sireh Facilities are constructed; and
- (cc) to sell bulk treated water for the concession period for a monthly payment based on the formula in accordance with the Sg Sireh WTP O&M Agreement.

Obligations:

- (aa) to operate, manage, maintain and refurbish the Sg Sireh Facilities;
- (bb) to supply bulk treated water in the agreed volume and quality; and
- (cc) to produce the treated water at the designated quantity and at a designated quality.

(e) Regulation under which the concession is granted

WSIA, Suruhanjaya Perkhidmatan Air Negara Act 2006 and Selangor Waters Management Authority Enactment 1999.

INFORMATION ON PNSB (Cont'd)

(ii) Nature of relationship with concession giver

Contractual

(iii) Construction risk

There is no construction risk as there was no construction work involved at the point of entering into the Sg Sireh WTP O&M Agreement.

(iv) Dependence on concession giver

Contractual

(v) Financing requirements and sources of funding

Working capital requirements sourced via internally generated funds.

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INFORMATION ON SYABAS

1. HISTORY AND BUSINESS

SYABAS was incorporated in Malaysia under the Act on 8 July 1996 as a private limited company.

SYABAS is principally involved in the supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and other water related services. As at the LPD, SYABAS holds one (1) concession for the supply and distribution of treated water in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

2. SHARE CAPITAL

The authorised share capital and the issued and paid-up share capital of SYABAS as at the LPD are as follows:

	No. of shares	Par value RM	Total RM
<u>Authorised</u>			
Ordinary shares	93,449,999	1	93,449,999
Golden Share ⁽¹⁾	1	1	1
Redeemable Cumulative Preference Shares ("RPS") ⁽²⁾	655,000,000	0.01	6,550,000
<u>Issued and fully paid-up</u>			
Ordinary Shares	65,000,000	1	65,000,000
Golden Share ⁽¹⁾	1	1	1
RPS ⁽²⁾	655,000,000	0.01	6,550,000

Notes:

- (1) The Golden Share is held by the Minister of Finance, Incorporated.
- (2) The RPS is fully subscribed for by the Minister of Finance, Incorporated. The RPS is not convertible into the ordinary shares of SYABAS. It shall be redeemed by SYABAS commencing 31 December 2021 until 31 December 2025 in five (5) equal tranches of RM131 million nominal value of the RPS for each of the years. A fixed cumulative net dividend of 3% per annum on each RPS is payable in cash on a date falling in the financial year ending no earlier than 31 December 2015, out of profits of SYABAS available for distribution in respect of each financial year or other accounting period of SYABAS prior to such date provided that no dividend shall be declared or be due or payable except in accordance with the priority of payments stated in the terms of the RPS. Net dividend declared for each financial year from the date of issue up to the financial year ending 31 December 2014 shall, once declared, be payable in eleven (11) equal instalments commencing in the year 2015 and ending in the year 2025.

3. BOARD OF DIRECTORS

The directors of SYABAS and their respective shareholdings in SYABAS as at the LPD are as follows:

Directors	Designation	Nationality	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Tan Sri Rozali bin Ismail	Director	Malaysian	-	-	45,500,000 ⁽¹⁾	70.0
Dato' Ruslan bin Hassan	Director	Malaysian	-	-	-	-
Dato' Ir. Lee Miang Koi	Director	Malaysian	-	-	-	-
Dato' Syed Danial bin Syed Ariffin	Director	Malaysian	-	-	-	-
Suhaimi bin Kamaralzaman	Director	Malaysian	-	-	-	-
Abdul Karim bin Endut (Alternate Director to Suhaimi bin Kamaralzaman)	Director	Malaysian	-	-	-	-
Chan Yit Hwa	Director	Malaysian	-	-	-	-

INFORMATION ON SYABAS (Cont'd)

Directors	Designation	Nationality	Direct No. of ordinary shares	%	Indirect No. of ordinary shares	%
Datuk Yogeesvaran A/L Kumaraguru	Director	Malaysian	-	-	-	-
Gho Peng Seng	Director	Malaysian	-	-	-	-
Putri Sarah Muna binti Mohd Zefi Ibrahim Shah Friedli	Director	Malaysian	-	-	-	-

Note:

(1) Deemed interest by virtue of his direct and indirect interest in PNHB.

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of SYABAS and their respective shareholdings in SYABAS as at the LPD are as follows:

Name of Company	Place of Incorporation	Direct		Indirect	
		No. of ordinary shares	%	No. of ordinary shares	%
PNHB	Malaysia	45,500,000	70	-	-
KDEB	Malaysia	9,750,000	15	9,750,000 ⁽¹⁾	15
KPS	Malaysia	9,750,000	15	-	-

Note:

(1) Deemed interest by virtue of its shareholding in KPS pursuant to Section 6A of the Act.

5. SUBSIDIARY AND ASSOCIATED COMPANIES

Save as disclosed below, SYABAS does not have any other subsidiary or associated companies as at the LPD:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	Equity interest %	Principal activities
Perbadanan Urus Air Selangor Berhad	4 March 2002, Malaysia	2	100.0	Dormant

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INFORMATION ON SYABAS (Cont'd)

6. FINANCIAL INFORMATION

The key financial information of SYABAS based on the audited financial statements for the FYE 31 December 2011 (excluding certain prior year adjustments for the service concession assets and operating financial assets as described in Note 34 of the financial statements for the year ended 31 December 2013 that should be applied to restate the financial information), the audited consolidated financial statements for the FYE 31 December 2012 to 2013 and the unaudited nine (9)-month FPE 30 September 2014 are summarised as follows:

	← FYE 31 December →			9-month FPE 30 September 2014
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
Revenue	2,098,931	2,740,840	2,967,348	2,195,203
LBT	(451,740)	(15,357)	(90,960)	(221,534)
LAT	(358,227)	(7,059)	(98,012)	(168,366)
Shareholders' funds / Net liabilities	(1,875,114)	(1,942,663)	(2,041,868)	(2,210,235)
Paid-up capital	65,000	65,000	65,000	65,000
Total interest bearing borrowings	3,830,382	3,960,964	4,083,610	4,152,224
Net liability per share (RM)	(28.85)	(29.89)	(31.41)	(34.00)
Gross LPS (RM)	(6.95)	(0.24)	(1.40)	(3.41)
Net LPS (RM)	(5.51)	(0.11)	(1.51)	(2.59)
Current ratio (times)	0.61	0.52	0.49	0.39
Gearing ratio (times)	(2.04)	(2.04)	(2.00)	(1.88)

Commentaries**FYE 31 December 2011**

For the FYE 31 December 2011, SYABAS recorded revenue of RM2.10 billion, representing a marginal increase of 2.9% from RM2.04 billion for the FYE 31 December 2010. The increase in revenue was due to the higher water consumption billed in FYE 31 December 2011.

SYABAS recorded a higher LBT of RM451.74 million for the FYE 31 December 2011 compared with RM304.10 million incurred for the FYE 31 December 2010. The increase in LBT of 48.5% for the FYE 31 December 2011 was mainly due to the higher finance cost incurred from late payment interest on deferment of payment to water treatment operators due to the cash flow constraint faced by SYABAS arising from non-gazettement of tariff hike in 2009 and non-receipt of the tariff compensation thereof.

FYE 31 December 2012

For the FYE 31 December 2012, SYABAS recorded an increase in revenue of 30.6% to RM2.74 billion compared with revenue of RM2.10 billion recorded for the FYE 31 December 2011. The increase in revenue was mainly due to the increase in water tariff compensation with a higher average tariff at RM2.34/m³ compared with RM1.83/m³ for the FYE 31 December 2011.

For the FYE 31 December 2012, SYABAS incurred an LBT of RM15.36 million which is 96.6% lower compared with LBT of RM451.74 million incurred for the FYE 31 December 2011. The substantially lower LBT was mainly contributed by the increase in tariff compensation arising from higher average tariff at RM2.34/m³ compared with RM1.83/m³ in the previous financial year.

INFORMATION ON SYABAS (Cont'd)**FYE 31 December 2013**

For the FYE 31 December 2013, SYABAS recorded revenue of RM2.97 billion, representing an increase of 8.3% from RM2.74 billion recorded for the FYE 31 December 2012. The increase in revenue was due to higher water consumption for the FYE 31 December 2013 compared with the previous financial year.

However, the LBT widened to RM90.96 million for the FYE 31 December 2013 compared to an LBT of RM15.36 million incurred for the FYE 31 December 2012. The higher LBT of RM75.60 million was mainly due to increase in finance cost arising from additional late payment interest as amounts owing to the water treatment operators have increased due to continuous cash flow constraints faced by SYABAS where water treatment operators are only paid partially, and increase in accretion cost relating to fair value on such late payment interest arising from re-measurement of fair value on long-term payables late payment interest.

Unaudited nine (9) months FPE 30 September 2014

For the FPE 30 September 2014, SYABAS recorded revenue of RM2,195.2 million, an increase of 0.91% compared with the preceding year corresponding period. Revenue from tariff compensation increased by RM37.90 million from RM792.10 million in FPE 30 September 2013 to RM830.00 million in FPE 30 September 2014. However, the increase in revenue from tariff compensation was mitigated by the reduction of water consumption and water billing revenue during the water rationing in FPE 30 September 2014.

SYABAS incurred a higher LBT of RM221.53 million for the FPE 30 September 2014 as compared to a LBT of RM13.55 million in the preceding year corresponding period, mainly due to the increase in water purchase cost arising from increase in Bulk Supply Rate and fixed monthly payment for certain water treatment plants and higher electricity cost incurred by water treatment operators due to electricity tariff hike by 16% with effect from January 2014 as well as increase in the impairment loss on the tariff compensation as a result of the change in assumptions used to estimate the receipt of the tariff compensation.

Adoption of accounting policies

SYABAS has not adopted any accounting policies which are peculiar because of the nature of business and/or the industry in which it is involved in. SYABAS' accounting policies are consistent with those adopted in the financial statements in the respective financial years under review and are in accordance with the Malaysian Financial Reporting Standards / International Financial Reporting Standards.

7. MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**7.1 Material commitments**

Save as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by SYABAS and its subsidiary ("**SYABAS Group**") that are likely to have a material adverse effect on SYABAS Group's financial position.

	RM'000
- Contracts approved and contracted for	<u>480,062</u>

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INFORMATION ON SYABAS (Cont'd)

7.2 Contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities which may, upon being enforceable, have a material adverse effect on our Group's financial position.

	RM'000
- Dispute on interest on late payment to a related party	<u>39,680</u>

8. MATERIAL CONTRACTS

SYABAS Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

9. MATERIAL LITIGATION

Save as disclosed below, SYABAS Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against the SYABAS Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of SYABAS Group.

9.1 JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS and the State Government**Kuala Lumpur High Court Suit No. D4-22-1452-2006**

Both PUAS and SYABAS had been served with:-

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

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

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

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

- (i) an order to immediately restrain PUAS and/or SYABAS whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS and/or SYABAS and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from purchasing and/or obtaining and/or being given and/or dealing with and/or receiving all its requirements for the pipes (which includes straight pipes whether whole or in cut lengths of any material including but not limited to mild steel pipes) and fittings (which includes tees, bends, tapes, tapers, collars, flange adaptors, blank flanges, mechanical joints and similar accessories) in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya from any other entities except from the Plaintiff until the disposal of the Plaintiff's inter-parte application for an injunction;

INFORMATION ON SYABAS (Cont'd)

- (ii) an order to immediately restrain PUAS and/or SYABAS whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS and/or SYABAS and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from taking any further steps in supplying and/or dealing with all of the above pipes and fittings and/or including negotiations and/or award of contracts with any other entities arising out of and in connection with the purchasing and/or obtaining and/or being given and/or receiving all of its requirements for pipes and fittings in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya until the disposal of the Plaintiff's inter-parte application for an injunction;
- (iii) costs to be costs in the cause;
- (iv) that a date be fixed for the inter-partes hearing of the Plaintiff's application therein within 21 days from the date of the Ex-Parte Order; and
- (v) such further and other relief as the High Court deems fit.

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

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

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

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

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

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

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INFORMATION ON SYABAS (Cont'd)

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

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

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

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

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

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

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

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

INFORMATION ON SYABAS (Cont'd)

At the trial held on 21 January 2011, the High Court had vacated the dates previously fixed for the oral submissions on 24 January 2011 and 25 January 2011 and fixed additional dates for continued trials on 24 January 2011, 25 January 2011 and 26 January 2011. The trial dates previously fixed on 28 March 2011 to 31 March 2011 remain unchanged. At the trial held on 28 March 2011, the High Court vacated the dates on 30 March 2011 and 31 March 2011. The trial dates on 28 March 2011 and 29 March 2011 remain unchanged. The matter was fixed for further full trial on 5 May 2011, 6 May 2011, 20 May 2011, 8 June 2011, 9 June 2011 and 10 June 2011. Since the trial concluded on 9 June 2011, the trial fixed for 10 June 2011 was vacated and the matter was fixed for decision on 12 September 2011.

The High Court had on 12 September 2011 postponed the decision date for the matter to 5 October 2011 as post-trial submissions only closed on 9 September 2011.

On 5 October 2011, the High Court had dismissed the plaintiff's claim against the Defendants which include PUAS and SYABAS.

On 3 November 2011, JAKS-KDEB had filed a Notice of Appeal to the Court of Appeal against the decision by the High Court on 5 October 2011.

SYABAS has been informed by its solicitors on 3 December 2012 that the Court of Appeal had fixed the matter for case management on 10 January 2013.

At the case management held on 10 January 2013, the Court of Appeal had fixed the matter for further case management on 26 February 2013 to fix the hearing date on the Appeal filed by JAKS-KDEB.

At the case management held on 26 February 2013, the Court of Appeal fixed the matter for Hearing on 22 May 2013 on the Appeal filed by JAKS-KDEB.

The Court of Appeal had on 22 May 2013 adjourned the hearing on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 which had dismissed the Plaintiff's claim against SYABAS and the other two Defendants to a date which will be fixed later by the Court of Appeal.

The Court of Appeal had fixed the hearing of the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against SYABAS and the other two Defendants) on 28 August 2013.

At the hearing held on 28 August 2013, the Court of Appeal had fixed the matter for Case Management on 5 September 2013 to allow the court to fix another hearing date.

At the Case Management held on 5 September 2013, the Court of Appeal had fixed the hearing on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against SYABAS and the other two Defendants) on 14 November 2013.

At the hearing held on 14 November 2013 on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against SYABAS and the other two Defendants), the Court of Appeal had unanimously dismissed the Plaintiff's appeal with costs of RM40,000 awarded to SYABAS and PUAS and RM15,000 awarded to the State Government.

The Plaintiff had filed its Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal on 14 November 2013 which had dismissed the Plaintiff's claim against SYABAS and the other two Defendants.

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for Case Management on 10 February 2014.

INFORMATION ON SYABAS (Cont'd)

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for Case Management on 19 February 2014.

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for hearing on 6 May 2014.

The plaintiff's counsel had via their letter dated 29 April 2014 applied to the Federal Court for a postponement of the Hearing fixed on 6 May 2014 on Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013. The Federal Court had via letter dated 2 May 2014 allowed for the Hearing of the Motion for Leave of Appeal to be postponed and has fixed the Motion for case management on 6 May 2014.

At the case management held on 6 May 2014, the Federal Court fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for hearing on 5 August 2014.

On 5 August 2014, the Federal Court unanimously dismissed JAKS-KDEB's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 with costs of RM20,000 awarded to SYABAS and PUAS and RM10,000 for the State Government.

The solicitors had extracted the sealed Order dated 5 August 2014 and has served the same on JAKS-KDEB's solicitors via a letter dated 27 November 2014.

9.2 SYABAS vs State Government

Kuala Lumpur High Court Originating Summons No. D-24NCC-388-2010

On 10 November 2010, SYABAS instituted legal proceedings against the State Government at the High Court in Kuala Lumpur vide Originating Summons No: D-24NCC-388-2010 which was supported by an affidavit in support dated 9 November 2010. In the said Originating Summons, SYABAS is seeking the following relief:-

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

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

INFORMATION ON SYABAS (Cont'd)

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

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

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

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

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

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

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

Pursuant to the withdrawal of the Originating Summons, SYABAS went to file a Writ and Statement of Claim at the Kuala Lumpur High Court, details of which are set-out in Section 9.3 of Appendix II of this Circular below.

INFORMATION ON SYABAS (Cont'd)

9.3 SYABAS vs State Government**Kuala Lumpur High Court Civil Suit No: 22NCC-1478-09/2011**

On 8 September 2011, SYABAS has instituted legal proceedings against the State Government via the filing of a Writ and Statement of Claim at the High Court for a sum of RM1,054,208,382 being compensation from 1 January 2009 to 31 March 2011 from the State Government under the term of the Concession Agreement dated 15 December 2004 between SYABAS, the Federal Government and the State Government.

In the Statement of Claim, SYABAS is praying for the following Orders:-

- (i) a declaration that upon a true construction of the Concession Agreement dated 15 December 2004, there is a sum of RM1,054,208,382.00 due and owing from the State Government to SYABAS for the period from 1 January 2009 to 31 March 2011;
- (ii) that the State Government do pay the said sum of RM1,054,208,382.00 to SYABAS forthwith upon making of the Order;
- (iii) costs of the action be paid by the State Government to SYABAS in any event; and
- (iv) such further or other relief or remedy as the Court shall deem just.

At the case management held on 10 October 2011, the State Government's solicitors informed the High Court that the Memorandum of Appearance was filed on 30 September 2011 and an application for leave to file defence was filed in the Kuala Lumpur High Court on 10 October 2011. The Court then fixed a further case management on 4 November 2011 for further directions. On 14 October 2011, the Court allowed the defendant to file the defence latest by 4 November 2011 and the plaintiff to file the Reply latest by 18 November 2011.

The Court maintained the case management scheduled on 4 November 2011 to monitor the progress of the suit. On 4 November 2011, the State Government's solicitors informed the Court that the Defence was filed on 4 November 2011. The Court directed SYABAS to file the notice to attend pre-trial case management after filing the Reply by 18 November 2011. The Court fixed the next case management on 29 November 2011.

On 21 November 2011, SYABAS' Reply had been filed in the High Court and served on the defendant's solicitors on 18 November 2011.

At the case management held on 29 November 2011, the High Court had fixed a further case management on 14 December 2011 for SYABAS to file the notice to attend pre-trial case management upon the close of pleadings and for the State Government to apply for leave to issue a third party notice against the Federal Government.

The matter which came up for case management on 14 December 2011 was fixed for mention on 23 December 2011 in order to fix a hearing date for the defendant's application for leave to issue a Third Party Notice against the Federal Government, which was filed in Court on 14 December 2011.

At the mention held on 23 December 2011, the Federal Government had objected to the defendant's application for leave to issue a Third Party Notice against the Federal Government. The High Court had fixed the matter for another case management on 26 January 2012 and hearing on 16 February 2012.

At the case management held on 26 January 2012 for the defendant's application to issue a third party notice (in Enclosure 13), the High Court had fixed 8 February 2012 for the Plaintiff to file in an affidavit in reply to the defendant's affidavit dated 25 January 2012 and further fixed 13 February 2012 for parties to file their respective submissions simultaneously. The hearing date previously fixed on 16 February 2012 was maintained.

INFORMATION ON SYABAS (Cont'd)

At the hearing held on 16 February 2012, the Defendant's application for leave to issue a Third Party Notice against the Federal Government ("**Application**"), the High Court had allowed the Defendant's Application with no order as to cost and had further fixed the matter for case management for Third Party Direction on 5 March 2012, and trial of the main suit on 29 May 2012 and 30 May 2012 respectively.

On 5 March 2012, the Kuala Lumpur High Court had fixed the matter for case management on 28 March 2012 to allow the State Government and the Federal Government to file and serve their respective pleadings in the third party proceedings.

On 28 March 2012, the Kuala Lumpur High Court had fixed the matter for further case management on 17 April 2012 to allow the parties to finalise the issues to be tried, bundle of documents and list of witnesses. The High Court had also fixed two (2) further trial dates for the matter on 14 June 2012 and 15 June 2012 in addition to the 29 May 2012 and 30 May 2012 which had been fixed earlier. The High Court had rescheduled the case management for application of the Defendant to 27 April 2012 which was subsequently adjourned to 30 April 2012.

The Kuala Lumpur High Court had fixed the matter for further case management on 8 May 2012 and 15 May 2012.

At the case management held on 15 May 2012 which was heard together with the hearing fixed for the application to amend the Statement of Claim filed by SYABAS on 14 May 2012, the Kuala Lumpur High Court had fixed a further hearing date on 22 May 2012 to allow the parties to file and serve their respective affidavits. The case management is also fixed on the same date.

At the case management held on 22 May 2012 evening on the application to amend the Statement of Claim filed by SYABAS, the High Court had adjourned the matter to 25 May 2012 for decision.

On 25 May 2012, the High Court had adjourned the decision on the application to amend the Statement of Claim filed by SYABAS to 29 May 2012 to allow the parties to further deliberate and submit on the matter. The trial dates fixed on 29 May 2012 and 30 May 2012 as announced earlier have been vacated for the aforementioned purpose. The trial dates fixed on 14 June 2012 and 15 June 2012 remain unchanged.

On 29 May 2012, the High Court had allowed the application to amend the Statement of Claim filed by SYABAS and further fixed the matter for case management on 14 June 2012. The trial dates of 14 June 2012 and 15 June 2012 as announced previously have been vacated.

The High Court has further fixed 4 September 2012, 6 September 2012 and 7 September 2012 as the new trial dates.

At the case management held on 14 June 2012, in addition to the existing trial dates fixed on 4 September 2012, 6 September 2012 and 7 September 2012, the High Court had fixed three (3) additional trial dates on 30 October 2012, 31 October 2012 and 1 November 2012 respectively. The High Court had further directed the parties to file additional bundle of documents (if any) and the issues to be tried on or before 31 July 2012, and their respective witness statements one (1) week before the trial.

On 22 June 2012, the Defendant has filed an appeal to the Court of Appeal against the Order dated 29 May 2012 of the High Court allowing the Plaintiff's application to amend the Statement of Claim.

On 28 June 2012, the Court of Appeal had fixed the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing SYABAS' application to amend the Statement of Claim, for Case Management on 12 July 2012.

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INFORMATION ON SYABAS (Cont'd)

At the case management held on 12 July 2012 for the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing SYABAS' application to amend the Statement of Claim, the Court of Appeal had fixed the matter for further case management on 14 August 2012 for further direction.

The Court of Appeal had also directed the Defendant to file in the Record of Appeal by 9 August 2012.

On 14 August 2012, the Court of Appeal had fixed the hearing for the Defendant's appeal against the Order dated 29 May 2012 of the Kuala Lumpur High Court allowing SYABAS' application to amend the Statement of Claim on 8 October 2012. The Court of Appeal also directed the parties to file their respective written submission on or before 24 September 2012.

The Kuala Lumpur High Court had via letter dated 13 August 2012 fixed the matter for case management on 16 August 2012.

At the case management held on 16 August 2012, the solicitors for the Defendant had requested for the trial dates on 4 September 2012, 6 September 2012 and 7 September 2012 to be vacated pending disposal of the Defendant's appeal against the Order dated 29 May 2012 of the Kuala Lumpur High Court allowing SYABAS' application to amend the Statement of Claim ("**Appeal**"). The Appeal is fixed for hearing at the Court of Appeal on 8 October 2012, as previously announced by our Company on 14 August 2012.

The High Court agreed to vacate the trial dates on 4 September 2012 and 7 September 2012. The witness for SYABAS will give evidence in chief on 6 September 2012. The trial will continue on 30 October 2012, 31 October 2012, and 1 November 2012 respectively. The parties were to file their respective witness statements one (1) week before the commencement of the trial.

The trial held on 6 September had been adjourned to 30 October 2012, 31 October 2012 and 1 November 2012, the trial dates previously fixed and announced on 17 August 2012, pending the Plaintiff and the Third Party to file in their respective supplementary/ fresh witness statements.

At the hearing held on 8 October 2012 for the State Government's appeal against the Order dated 29 May 2012 for the High Court allowing SYABAS' application to amend the Appeal, the Court of Appeal had allowed the Appeal with costs.

On 15 October 2012, SYABAS' Solicitor had filed a motion for leave at the Federal Court to appeal against the decision made by the Court of Appeal dated 8 October 2012. The Federal Court had also fixed the motion for hearing on 23 October 2012.

At the hearing held on 23 October 2012, the Federal Court had granted leave to SYABAS to appeal to the Federal Court against the decision made by the Court of Appeal dated 8 October 2012. The Federal Court had also directed for an early date to be fixed for the hearing of the Appeal. Pursuant to the leave granted by the Federal Court, SYABAS had instructed its Solicitors to proceed with the filing of the relevant Notice of Appeal and appeal record.

In view of the fact that the Federal Court had on 23 October 2012 granted leave to SYABAS to appeal to the Federal Court against the decision dated 8 October 2012 of the Court of Appeal (which allowed the Defendant's appeal against the decision of the High Court on 29 May 2012 granting leave to SYABAS to amend its claim), the High Court had on 30 October 2012 adjourned the trial fixed for 30 October, 31 October 2012 and 1 November 2012 pending the outcome of SYABAS' appeal to the Federal Court. The High Court had fixed new trial dates on 11 January 2013, 13 February 2013, 14 February 2013 and 15 February 2013 and also fixed Case Management on 17 December 2012 for the parties to inform the High Court on the outcome of SYABAS' appeal to the Federal Court.

On 20 November 2012, the Federal Court had fixed SYABAS' appeal to the Federal Court against the decision made by the Court of Appeal dated 8 October 2012, for Case Management on 22 November 2012.

INFORMATION ON SYABAS (Cont'd)

At the Case Management held on 22 November 2012, the Federal Court had fixed 10 December 2012 for further Case Management pending the extraction of the Notes of Evidence and the Grounds of Judgment delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 10 December 2012, the Federal Court had fixed 31 January 2013 for hearing of the appeal against the decision delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 17 December 2012, the High Court had vacated the trial date fixed on 11 January 2013 and maintained the trial dates on 13 February 2013, 14 February 2013 and 15 February 2013.

The High Court had also fixed the Case Management on 4 February 2013 for the parties to inform High Court on the outcome of SYABAS' appeal to the Federal Court which had been fixed for hearing on 31 January 2013.

On 31 January 2013, the hearing of the appeal against the decision delivered by the Court of Appeal on 8 October 2012 had been vacated by the Federal Court to a date to be fixed in due course following re-arrangement of cases by the Federal Court.

On 4 February 2013, the Federal Court had fixed 6 February 2013 as the hearing date for the appeal against the decision delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 4 February 2013, the High Court had vacated the trial dates fixed on 13 February 2013, 14 February 2013 and 15 February 2013, as announced previously, on the request date by the Defendant's Solicitors. High Court had fixed the new trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013.

High Court had also fixed the Case Management on 15 February 2013 for the parties to inform High Court on the outcome of SYABAS' appeal to the Federal Court which had been fixed for hearing on 6 February 2013.

At the hearing held on 6 February 2013, the Federal Court had allowed the appeal made by SYABAS against the decision delivered by the Court of Appeal on 8 October 2012, which earlier dismissed SYABAS' application to amend the Statement of Claim and awarded cost to SYABAS. The High Court postponed the Case Management fixed on 15 February 2013 to 28 February 2013.

At the Case Management held on 28 February 2013, the Kuala Lumpur High Court had maintained the trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013, as previously announced.

The High Court had via a letter dated 8 April 2013 vacated the trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013 as announced previously and had now rescheduled the trial date to 2 September 2013, 3 September 2013, 4 September 2013, 5 September 2013, 9 September 2013, 10 September 2013 and 11 September 2013 accordingly.

On 20 August 2013, the Defendant had filed an application to amend the Statement of Defence at the Kuala Lumpur High Court. The application had been fixed for hearing on 23 August 2013.

At the hearing held on 23 August 2013, the Kuala Lumpur High Court had allowed the Defendant's application to amend the Statement of Defence. The Kuala Lumpur High Court further directed the Defendant to file the Amended Statement of Defence by 26 August 2013 and the Plaintiff to file the Amended Reply by 29 August 2013.

INFORMATION ON SYABAS (Cont'd)

The trial for the above matter proceeded on 2 September 2013, 3 September 2013 and 4 September 2013. On 2 September 2013, the Defendant's Solicitor had served a subpoena on SYABAS's Chief Executive Officer. On 4 September 2013, the Plaintiff filed an application to set aside the subpoena. Further, the Defendant also filed an application to reamend its Statement of Defence. The Kuala Lumpur High Court had fixed both applications ("**Applications**") for hearing on 11 September 2013.

The Kuala Lumpur High Court had vacated the trial dates on 5 September 2013, 9 September 2013, 10 September 2013 and 11 September 2013, as previously announced, pending the disposal of the Applications.

On 11 September 2013, the hearing of the Defendant's application to reamend their Statement of Defence and SYABAS' application to set aside the subpoena served on SYABAS' Chief Executive Officer had been adjourned to 19 September 2013 to enable the parties to file the necessary Affidavits.

The matter on the Defendant's application to reamend their Statement of Defence came up for hearing on 19 September 2013. Upon submissions from both Counsels, the Kuala Lumpur High Court had reserved the matter for decision and once the date for the decision was fixed, the Kuala Lumpur High Court will also hear SYABAS' application to set aside the subpoena served on SYABAS' Chief Executive Officer on 2 September 2013. The Kuala Lumpur High Court further fixed 6 November 2013, 7 November 2013 and 8 November 2013 for continued trial.

On 1 October 2013, the Kuala Lumpur High Court had fixed the Defendant's application to reamend its Statement of Defence for decision on 3 October 2013. The Kuala Lumpur High Court will also hear SYABAS' application to set aside the subpoena served on SYABAS' Chief Executive Officer on 2 September 2013 once the date for decision was fixed.

The dates fixed by the Kuala Lumpur High Court for continued trial on 6 November 2013, 7 November 2013 and 8 November 2013 as previously announced remain unchanged.

The Kuala Lumpur High Court had on 3 October 2013 allowed the Defendant's application to reamend the Statement of Defence with costs to SYABAS. The Kuala Lumpur High Court had directed the Defendant to deliver the reamended Statement of Defence on or before 8 October 2013, and SYABAS thereafter to deliver its reamended reply on or before 11 October 2013, with the reservation to SYABAS to apply to amend the writ and reamend its Statement of Claim.

SYABAS on 31 October 2013 filed an application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad and the High Court fixed the hearing date for the said application on 6 November 2013. The hearing on the Plaintiff's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff on 6 November 2013 had been adjourned to 10 December 2013 pending filing of the necessary Affidavits by the Parties. The Plaintiff's application to set aside the subpoena served on the Chief Executive Officer of the Plaintiff as well as the hearing of the Defendant's application for the Plaintiff to produce documents were also fixed on the same date. The Case Management dates of 6 November 2013, 7 November 2013 and 8 November 2013 had been vacated by the Kuala Lumpur High Court pending the disposal of the above applications.

Kuala Lumpur High Court had on 10 December 2013 adjourned the hearing of SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff to 20 January 2014. The Kuala Lumpur High Court also fixed the Defendant's application to strike out SYABAS Writ of Summons and amended the Statement of Claim for mention on 20 January 2014. The Defendant's Solicitor withdrew their subpoena served on SYABAS' Chief Executive Officer with no order as to costs. SYABAS' solicitors subsequently withdrew their application to set aside the subpoena.

INFORMATION ON SYABAS (Cont'd)

At the hearing on 20 January 2014 on SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff, the Kuala Lumpur High Court adjourned its Decision to a date to be fixed by the Court. The Kuala Lumpur High Court also fixed the Defendant's application to strike out SYABAS' Writ of Summons and amended Statement of Claim for Mention on the same decision date.

On 12 February 2014, SYABAS was informed by its Solicitors that the Kuala Lumpur High Court had fixed SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff for costs of RM5,000 to the Defendant. SYABAS' Solicitors orally applied for a stay of proceedings pleading appeal which was also dismissed by the learned Judicial Commissioner. The Kuala Lumpur High Court fixed the Defendant's application to strike out SYABAS' Writ of Summons and amended Statement of Claim for hearing on 7 March 2014.

SYABAS had filed its Notice of Appeal at the Court of Appeal on 14 February 2014 appealing against the decision of the Kuala Lumpur High Court dated 13 February 2014 which had dismissed SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff.

The Court of Appeal had fixed SYABAS' Notice of Appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) for Case Management on 1 April 2014. SYABAS had on 19 February 2014 filed its Notice of Motion at the Court of Appeal to stay the High Court proceedings pending the appeal and the Notice of Motion was fixed for hearing on 4 March 2014.

By consent of both parties the Court of Appeal had on 4 March 2014 allowed for an interim stay of the Kuala Lumpur High Court proceedings. SYABAS' Notice of Motion to stay the High Court proceedings pending appeal and SYABAS' Notice of Appeal against the decision of Kuala Lumpur High Court dated 13 February 2014 (which had dismissed SYABAS' application to amend the Writ Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) were now fixed for hearing on 2 April 2014.

The Kuala Lumpur High Court upon being informed on the interim stay of the Kuala Lumpur High Court proceedings granted by the Court of Appeal on 4 March 2014, vacated the hearing fixed on 7 March 2014 to hear the Defendant's application to strike out SYABAS' Writ of Summons and amended Statement of Claim and had fixed the matter for Case Management on 4 April 2014.

SYABAS' Notice of Appeal against the decision of Kuala Lumpur High Court dated 13 February 2014 (which had dismissed SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) fixed for Case Management on 1 April 2014 had been vacated in view of the appeal being fixed for hearing on 2 April 2014.

At the Hearing held on 2 April 2014, the Court of Appeal allowed SYABAS' appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed SYABAS' application to amend the Writ of Summons and re-amend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) with costs of RM10,000. Further, on the application by SYABAS' lead counsel, the Court of Appeal also ordered the trial to be heard de novo before another judge at court NCC5 of the Kuala Lumpur High Court. The Court of Appeal also allowed the Defendant's application to stay the Kuala Lumpur High Court proceedings pending the disposal of its proposed application for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Court of Appeal made no order on SYABAS' Notice of Motion to stay the Kuala Lumpur High Court proceedings pending appeal.

On 4 April 2014, the Kuala Lumpur High Court upon being informed of the Court of Appeal's decision dated 2 April 2014 had fixed the matter for further Case Management on 8 April 2014.

INFORMATION ON SYABAS (Cont'd)

At the Case Management held on 8 April 2014, the Kuala Lumpur High Court had fixed the Defendant's application to strike out SYABAS' Writ of Summons and amended Statement of Claim for Mention on 5 May 2014.

At the Mention held on 5 May 2014, the Defendant's counsel informed the Kuala Lumpur High Court that the Defendant had on 30 April 2014 filed its Notice of Motion for Leave to Appeal to the Federal Court against the decision of the Court of Appeal dated 2 April 2014 which had allowed SYABAS' appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed SYABAS' application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank as Co-Plaintiff). The Kuala Lumpur High Court accordingly fixed the matter for Mention on 5 August 2014.

On 5 August 2014, the High Court had fixed the matter for further case management on 7 October 2014 for parties to inform the court about the status of the said application for leave to appeal to the Federal Court. On 7 October 2014, the High Court fixed the matter on 28 November 2014 for further case management to update the High Court on the status of the said application for leave to appeal to the Federal Court.

The Federal Court has fixed a hearing date on 10 November 2014 vide their letter dated 3 September 2014 for the Defendant's application for Leave to Appeal against the Order dated 2 April 2014 of the Court of Appeal, allowing the SYABAS' appeal to join CIMB Investment Bank Berhad as the co-plaintiff in its capacity as a security agent and to re-amend the statement of claim. The Federal Court has also fixed 13 October 2014 for case management vide their letter dated 25 September 2014. On 13 October 2014, the Federal Court vacated the hearing date on 10 November 2014 and fixed 6 January 2015 as the new hearing date.

On 28 November 2014, the Kuala Lumpur High Court had fixed the matter for another Case Management on 5 February 2015 pending the disposal of the Selangor State Government's application for Leave to Appeal against the Court of Appeal's Order dated 2 April 2014 in allowing SYABAS' appeal to join CIMB Investment Bank Berhad as a Co-Plaintiff and to re-amend the Statement of Claim which was earlier fixed for hearing on 6 January 2015.

The solicitors in charge and handling this case is of the opinion that SYABAS' claim against the Defendant has merit and is likely to succeed.

9.4 Konsortium ABASS Sdn Bhd ("ABASS") vs SYABAS

Kuala Lumpur High Court Civil Suit No: 22NCC-543-2011

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

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

- (i) a declaration that SYABAS is liable to make full payment on all invoices issued by ABASS pursuant to the Privatization Cum Concession Agreement dated 9 December 2000, the Supplemental Agreements dated 10 February 2001, 28 August 2001 and 15 February 2005 and the Novation Agreement dated 15 February 2005 particularly in accordance to Section 4.04 (c) of the Novation Agreement and that SYABAS' liability to make payment in full is not in any way diminished or mitigated by reason of its right to make proportionate payment to the water concessionaires;
- (ii) judgment for the sum of RM149,478,553.02;
- (iii) an account of all payments due to ABASS in respect of invoices issued after the date of the Writ herein be taken by the Honourable Court and an order that SYABAS do pay ABASS all such sums found to be due on the taking of such account;

INFORMATION ON SYABAS (Cont'd)

- (iv) interest on the outstanding amount of the invoices for the months from January 2010 to October 2010 at the rate of 1% per annum plus the base lending rate of Malayan Banking Berhad calculated on daily basis until the date of full payment by SYABAS;
- (v) interest on the outstanding amount of the previous outstanding invoices for the months from June 2006 to December 2009 in the sum of RM6,218,522.57;
- (vi) alternative to prayers (3) and (4) above, interest at the rate of 8% per annum on the outstanding amount of each of the outstanding invoices to be calculated from the respective due date until the date of full payment by SYABAS;
- (vii) damages for breach of contract; and
- (viii) costs.

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

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

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

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

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

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

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

On 29 July 2011, SYABAS had filed a reply affidavit to the plaintiff's application pursuant to Order 33 Rule 2 Rules of the High Court 1980 for certain preliminary issues to be heard before the trial of other questions or issues in the action, and had served the application for leave to issue a Third Party Notice on the relevant parties.

The High Court has further fixed 19 August 2011 for the plaintiff to file a reply affidavit and for SYABAS to reply, if any, on 26 August 2011. The High Court has also fixed a further Case Management date on 26 August 2011 for the High Court to fix a hearing date and on 11 August 2011, the High Court also fixed 26 August 2011 for the plaintiff to file its reply affidavit in respect of the plaintiff's application pursuant to Order 33 Rule 2 and also the defendant's application for leave to issue a third party notice. On the same case management date, the defendant is to inform the High Court whether it wishes to file any further affidavits in respect of the three applications.

INFORMATION ON SYABAS (Cont'd)

At the case management held on 26 August 2011, the High Court has fixed the next case management on 26 September 2011 for the defendant to file its reply affidavits and for the parties to exhaust all their affidavits in respect of the plaintiff's application pursuant to Order 33 Rule 2, the defendant's application for leave to issue a third party notice and also the defendant's application to amend the Defence and Counterclaim.

At the case management held on 26 September 2011, the High Court has fixed the next case management on 5 October 2011 to fix a hearing date in respect of the plaintiff's application pursuant to Order 33 Rule 2, the defendant's application for leave to issue a third party notice and also the defendant's application to amend the Defence and Counterclaim.

At the case management held on 5 October 2011, the High Court has fixed the hearing on 21 October 2011 in respect of the defendant's application for leave to issue a third party notice and also the defendant's application to amend the Defence and Counterclaim and further fixed the hearing on 21 November 2011 in respect of the plaintiff's application pursuant to Order 33 Rule 2.

On 21 October 2011, the High Court has fixed 31 October 2011 for Decision in respect of the defendant's application for leave to issue a third party notice and the defendant's application to amend the Defence and Counterclaim. On 31 October 2011, the Court was postponed the Decision in respect of the defendant's applications for leave to issue a third party notice and the application to amend the Defence and Counterclaim to 3 November 2011. The High Court had on 3 November 2011 allowed both the defendant's application for leave to issue a third party notice and the application to amend the Defence and counterclaim. The High Court fixed a further case management date on 17 November 2011 to enable the defendant to serve the third party notice on the State Government of Selangor and to deliver the Amended Defence and Counterclaim. The plaintiff had appealed to the Judge in chambers against the decisions of the High Court to allow SYABAS' application for leave to issue a third party notice and application to amend the Defence and counterclaim. The Court has fixed both appeals for hearing on 23 November 2011.

Pursuant to the Third Party (State Government) filing the memorandum of appearance on 17 November 2011, the matter is now fixed for further case management on 23 November 2011 for SYABAS to file the Summons for Third Party Directions. On 21 November 2011, the High Court had adjourned the hearing for the Plaintiff's application pursuant to Order 33 Rule 2 to 13 January 2012.

At the hearing held on 13 January 2012, pursuant to the Plaintiff's application for trial of the preliminary issues pursuant to Order 33 Rule 2, the High Court had adjourned the matter pending the disposal of the hearing of the motion for clarification by Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("**SPLASH**") at the Court of Appeal and the leave to appeal at the Federal Court. The case was fixed for mention on 13 February 2012.

The plaintiff's Notices of Appeal to the Judge in chambers against the decisions of the High Court on 3 November 2011 came up for hearing on 23 November 2011. After hearing submission from the counsel, the High Court adjourned the matter for decision on 8 December 2011. At the case management held on 23 November 2011, the High Court was informed that the Summons for Third Party Directions was filed on 23 November 2011 and the matter was fixed for hearing on 30 November 2011.

At the hearing held on 30 November 2011, for the Summons for Third Party Directions, the Kuala Lumpur High Court ordered that:

- (i) the defendant serve its Statement of Claim on the Third Party within fourteen (14) days from 30 November 2011, who shall plead thereto within fourteen (14) days;
- (ii) the Third Party be at liberty to appear at the trial of this action and take such part as the Judge shall direct, and be bound by the result of the trial;
- (iii) the question of liability of the Third Party to indemnify the defendant be tried at the trial of this action, but subsequent thereto; and

INFORMATION ON SYABAS (Cont'd)

(iv) the costs of this application be costs in the cause and in the Third Party proceedings.

The High Court had fixed a further case management on 5 January 2012.

On 8 December 2011, the High Court had dismissed the plaintiff's Notices of Appeal against the decisions dated 3 November 2011 in allowing the defendant's application to issue a third party notice and to amend the Defence and counterclaim, with costs awarded to the defendant.

SYABAS' Statement of Claim on the Third Party was filed in Court and served on the plaintiff's and Third Party's solicitors on 14 December 2011.

At the case management held on 5 January 2012, the Court had fixed the next case management on 20 January 2012 for the defendant to file a reply to the Third Party's defence.

At the case management held on 20 January 2012, the High Court had fixed the trial dates tentatively on 19 March 2012 to 21 March 2012. The High Court also fixed the case management for the matter on 13 February 2012, 5 March 2012 and 12 March 2012, pending the outcome of the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2 which was fixed for mention on 13 February 2012.

The Defendant had been served with a sealed copy of the State Government's application to set aside the Third Party notice and statement of claim by the Defendant on 2 February 2012. The application was fixed for case management on 13 February 2012.

At the case management held on 13 February 2012 in relation to the State Government's application to set aside the Third Party notice and Statement of Claim by the Defendant, the High Court had fixed the matter for further case management on 5 March 2012.

At the case management held on 13 February 2012 in relation to the State Government's application to set aside the Third Party notice and Statement of Claim by the Defendant, the High Court had fixed the matter for further case management on 5 March 2012. At the case management held on 5 March 2012, as the Judge had recused himself, the High Court would transfer the matter to another court and inform the Parties once new dates are fixed for the said matter. SYABAS' solicitors had on 15 March 2012 informed that the High Court had by way of letter dated 14 March 2012 informed the Parties that the case would be heard by a new Judge and the matter was fixed for case management on 16 March 2012. At the case management held on 16 March 2012, the High Court had fixed the matter for further case management on 20 April 2012.

The Court of Appeal had fixed 20 February 2012 for clarification of its decision dated 30 June 2011 and that the application for leave by SPLASH to appeal to the Federal Court arising from the decision of the Court of Appeal dated 30 June 2011 had been fixed for case management on 23 February 2012 at the Federal Court.

At the mention held on 13 February 2012, the High Court had adjourned the matter in relation to the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2 to 5 March 2012, pending the clarification at the Court of Appeal and the case management at the Federal Court in the SPLASH case. On 5 March 2012, the learned Judge recused himself from hearing the matter in relation to the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2. Accordingly, the case will be referred for transfer to another court and a new date to be advised by the High court Registry in due course. The trial dates tentatively fixed from 19 March 2012 to 21 March 2012 had been vacated.

The High Court had by way of a letter dated 14 March 2012 informed the Parties that the case would be heard by a new Judge and the matter is fixed for Case Management on 16 March 2012 which was subsequently further fixed to 20 April 2012.

INFORMATION ON SYABAS (Cont'd)

On 20 April 2012, the parties informed the Court that they have no objection that the learned Judge is hearing the matter. The Court directed as follows:

- (i) the application by the Third Party Notice and the Statement of Claim against the Third Party is fixed for Hearing on 28 June 2012 with submissions in reply (if any) to be filed on or before 15 June 2012; and
- (ii) the Plaintiff's application for Trial of Preliminary Issues pursuant to Order 33 Rule 2 is fixed for Hearing on 10 August 2012.

The Plaintiff's application for Interim Payment is fixed for Mention on 10 August 2012.

On 28 June 2012, the High Court had fixed the application by the Third Party to set aside the Third Party Notice and the Statement of Claim against the Third Party for further hearing on 3 July 2012.

At the hearing held on 3 July 2012 in relation to the application by the Third Party to set aside the Third Party Notice and the Statement of Claim against the Third Party, the High Court had adjourned the matter to 31 July 2012 for decision.

On 31 July 2012, the High Court had allowed the Third Party's application to set aside the Third Party Notice and the Statement of Claim issued against the Third Party by the Defendant with costs of RM10,000.00 and SYABAS is currently taking legal advice on whether to appeal the decision to the Court of Appeal.

SYABAS' solicitors had on 2 August 2012 filed the Notice of Appeal at the Court of Appeal against the decision by the High Court on 31 July 2012 to allow the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party.

At the hearing held on 10 August 2012 on the plaintiff's application for Trial of Preliminary Issues pursuant to Order 33 Rule 2 ("**Application**"), the High Court had adjourned the Application for continued hearing on 23 August 2012 and had also fixed the Application for decision on 3 September 2012. The High Court had also at the mention held on 10 August 2012 on the plaintiff's application for Interim Payment fixed the next mention on 3 September 2012.

On 3 September 2012, the High Court had allowed the Plaintiff's application for Trial of Preliminary Issues pursuant to Order 33 Rule 2 with costs in the cause with directions. The High Court had further fixed the matter for case management on 5 September 2012 to fix trial dates. The High Court had at the mention held on 3 September 2012 on the plaintiff's application for Interim Payment, fixed the matter for case management on 5 September 2012.

At the case management held on 5 September 2012 on the Plaintiff's application for Trial of Preliminary Issues pursuant to Order 33 Rule 2, SYABAS' solicitors informed the High Court that by a Notice of Assignment dated 15 August 2012, SYABAS was informed by the Plaintiff that by a Deed of Assignment dated 10 August 2012, the Plaintiff had assigned to Maybank Investment Bank Berhad its rights title and interest under the Novation Agreement dated 15 February 2005 and in view of this latest development, SYABAS will be making an application to re-amend its defence and counterclaim.

The High Court had adjourned the case management of the action and the Plaintiff's application for Interim Payment to 2 October 2012, pending filing of SYABAS' application to re-amend its defence and counterclaim.

At the case management held on 13 September 2012, the Court of Appeal had fixed the matter in relation to the appeal made by SYABAS against the decision by the Kuala Lumpur High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party, for hearing on 27 November 2012. The Court of Appeal also directed that the appeal record be filed on or before 27 September 2012.

INFORMATION ON SYABAS (Cont'd)

On 2 October 2012, the High Court had fixed 8 November 2012 for hearing of SYABAS' application to re-amend its defence and counterclaim to enable parties to exhaust the filing of affidavits and fixed the next case management of the action and the plaintiff's application for Interim Payment on 8 November 2012.

On 8 November 2012, the High Court had allowed SYABAS' application to re-amend its defence and counterclaim with costs in the cause. The High Court had directed SYABAS to re-amend its defence and counterclaim within seven (7) days. The High Court had given the plaintiff the liberty to make consequential amendments to its amended reply to defence and defence to counterclaim within fourteen (14) days from the date of service of SYABAS' re-amended defence and counterclaim.

The High Court also fixed the trial dates on 22 April 2013, 23 April 2013 and 24 April 2013 and case management of the action and the plaintiff's application for Interim Payment on 30 November 2012.

On 26 November 2012, following the application made by the counsel of the State Government to the Court of Appeal on 20 November 2012, SYABAS' solicitors were informed by the counsel of the State Government vide a letter dated 23 November 2012 that the Court of Appeal had granted adjournment and vacated the hearing fixed on 27 November 2012 in relation to the appeal made by SYABAS against the decision of the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party, to a date to be fixed by the Court of Appeal in due course.

At the case management held on 30 November 2012, the High Court had fixed further case management on 4 January 2013 for the Plaintiff's application for Interim Payment and the Plaintiff to file the Re-amended Reply and Defence to counter claim.

On 7 December 2012, SYABAS has been informed by its solicitors on even date that the Court of Appeal had fixed the hearing for appeal made by SYABAS against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party on 7 January 2013.

At the case management held on 4 January 2013, the High Court had fixed 12 March 2013 for the following:

- (i) case management for the Plaintiff's application for Interim Payment;
- (ii) hearing for SYABAS' application to strike out the Plaintiff's claim; and
- (iii) case management of the main action.

The Court of Appeal had adjourned the hearing fixed on 7 January 2013 for the appeal made by SYABAS against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party to 21 January 2013.

At the hearing held on 21 January 2013, the Court of Appeal had dismissed the appeal made by SYABAS against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party with cost. SYABAS is currently seeking advice from its solicitors on the next course of action arising from the said decision.

On 20 February 2013, SYABAS filed the notice of motion for leave to appeal against the decision made by the Court of Appeal on 21 January 2013 to the Federal Court. SYABAS' application to strike out ABASS' claim is fixed for hearing on 12 March 2013 and also for case management of the main action and application for interim payment on the same day. The trial is scheduled for 22 April 2013 to 24 April 2013.

INFORMATION ON SYABAS (Cont'd)

The High Court had on 12 March 2013 adjourned the hearing for SYABAS' application to strike out the Plaintiff's claim to 20 March 2013 to enable the parties to prepare their submissions in reply and the High Court has also fixed 20 March 2013 for the following:

- (i) case management for the Plaintiff's application for Interim Payment; and
- (ii) case management of the main action.

On SYABAS' application for leave to appeal to the Federal Court against the decision made by the Court of Appeal dated 21 January 2013 whereby, the Court of Appeal had dismissed SYABAS' appeal against the decision of the High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party, the Federal Court had via a letter dated 14 March 2013 fixed the matter for case management on 27 March 2013.

The High Court on 20 March 2013 was fixed for the following:

- (i) hearing of SYABAS' application to strike out the Plaintiff's claim;
- (ii) the Plaintiff's application to stay proceedings and to strike out SYABAS' application to strike out the Plaintiff's claim and SYABAS Defence and counterclaim;
- (iii) case management of the main action; and
- (iv) case management on the Plaintiff's application for Interim Payment.

The High Court had adjourned the proceedings to 29 March 2013 for case management to enable the parties to exhaust their affidavits and to revert to the High Court if the parties are proceeding with the applications. This is pursuant to the Plaintiff's serving their application to stay proceedings and to strike out SYABAS' application to strike out the Plaintiff's claim and SYABAS Defence and counterclaim on 19 March 2013 following which SYABAS had on 20 March 2013 filed their affidavit in reply.

At the case management held on 27 March 2013, the Federal Court had fixed 28 August 2013 for hearing of SYABAS' motion for leave to appeal against the decision of the Court of Appeal dated 21 January 2013.

At the case management held on 29 March 2013, the parties informed the High Court that they are proceeding with SYABAS' application to strike out the Plaintiff's claim and the Plaintiff's application to stay proceedings and to strike out SYABAS' application to strike out the Plaintiff's claim and SYABAS' Defence and Counterclaim.

The High Court has now fixed the case management for both the applications on 17 April 2013. As the Trial has been fixed on 22 April 2013, 23 April 2013 and 24 April 2013, the High Court fixed case management for the Trial on 8 April 2013 and 17 April 2013.

At the case management held on 8 April 2013, the High Court had fixed SYABAS' application to strike out the Plaintiff's claim and the Plaintiff's application to stay proceedings and to strike out SYABAS' application to strike out the Plaintiff's claim and SYABAS' Defence and Counterclaim for hearing on 24 April 2013. The High Court maintained the case management for both the applications on 17 April 2013, as previously announced.

The High Court vacated the case management for Trial on 17 April 2013 and the Trial dates fixed on 22 April 2013, 23 April 2013 and 24 April 2013 pending the disposal of SYABAS' application for leave to appeal at the Federal Court which has been fixed for hearing on 28 August 2013 and further fixed the case management for Trial on 4 September 2013.

INFORMATION ON SYABAS (Cont'd)

At the case management held on 17 April 2013, the Kuala Lumpur High Court had vacated the hearing fixed on 24 April 2013 in respect of the following:

- (i) SYABAS' application to strike out the Plaintiff's Writ of Summons & Statement of Claim dated 28 March 2011 filed based on the assignment given by the Plaintiff to the Security Agent vide Deed of Assignment dated 23 August 2012 whereby the Plaintiff has absolutely and irrevocably assigned its right to receive payments from the Defendant to the Security Agent; and
- (ii) the Plaintiff's application to stay proceedings and to strike out SYABAS' application to strike out Plaintiff's claim and SYABAS' Defence and Counterclaim pursuant to the Plaintiff's contention that SYABAS has similarly executed an assignment of its legal rights, title, benefits and interest of its assigned properties to SYABAS' Security Agent.

The Kuala Lumpur High Court had further fixed the case management on the abovementioned applications on 4 September 2013 pending the disposal of SYABAS' application for leave to appeal at the Federal Court against the decision made by the Court of Appeal dated 21 January 2013, whereby the Court of Appeal had dismissed SYABAS' appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party.

At the hearing held on 28 August 2013, the Federal Court had allowed SYABAS' motion for leave to appeal against the decision of the Court of Appeal dated 21 January 2013 with costs to follow the event of the appeal.

The Court of Appeal had previously dismissed SYABAS' appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party.

At the Case Management held on 4 September 2013, the Kuala Lumpur High Court had fixed the matter for further Case Management on 28 November 2013.

The Federal Court vide a letter dated 25 October 2013 had fixed 14 November 2013 for Case Management of the appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013.

At the Case Management held on 14 November 2013, the Federal Court had fixed 13 January 2014 as the next Case Management date for the Appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013. The Court of Appeal had previously dismissed SYABAS' appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party. However, during the hearing on 28 August 2013, the Federal Court granted leave to SYABAS to appeal against the said decision of the Court of Appeal.

At the Case Management on 28 November 2013, the Kuala Lumpur High Court had fixed the matter for further Case Management on 27 January 2014, pending the disposal of the Appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013.

The Federal Court had brought forward the Case Management on the Appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013 from 13 January 2014 to 31 December 2013.

At the case management held on 31 December 2013, the Federal Court had fixed the Appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013 for Hearing on 7 April 2014.

INFORMATION ON SYABAS (Cont'd)

At the Case Management on 27 January 2014, the Kuala Lumpur High Court fixed the matter for further Case Management on 9 April 2014 to update the Kuala Lumpur High Court on the status of the Federal Court Appeal and the present suit.

The Federal Court had on 7 April 2014 adjourned the hearing of the Third Party's Motion to strike out SYABAS' appeal (which was filed on 3 April 2014 together with Affidavit in support affirmed by the Third Party's Chief Minister, Tan Sri Dato' Seri Abd Khalid bin Ibrahim and was fixed for hearing on 7 April 2014) and hearing on the appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013 (which had dismissed SYABAS' appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party) to 9 April 2014 to enable the Third Party to file their Affidavit in reply to SYABAS' Affidavit affirmed by SYABAS' Chief Executive Officer, Dato' Ruslan Hassan, on 4 April 2014 in relation to the motion to strike out SYABAS' appeal.

The Federal Court had on 9 April 2014 adjourned the hearing of the Third party's motion to strike out SYABAS' appeal and the appeal filed by SYABAS against the decision of Court of Appeal dated 21 January 2013 (which had dismissed SYABAS' appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by SYABAS against the Third Party) to 7 July 2014 to enable SYABAS to file their Affidavit in reply to Affidavit affirmed by the Third Party's Chief Minister, Tan Sri Dato' Seri Abd Khalid bin Ibrahim which was served on SYABAS on 9 April 2014 in relation to the Third Party's motion to strike out SYABAS' appeal.

On 9 April 2014, SYABAS' solicitor informed the Kuala Lumpur High Court that the hearing of the appeal filed by SYABAS against the decision of Court of Appeal dated 21 January 2013 and the hearing of the motion filed by the Third Party to strike off SYABAS' appeal had been rescheduled to 9 April 2014. The Kuala Lumpur High Court went on to fix the matter for further Case Management on 18 April 2014 pending disposal of SYABAS' appeal and motion to strike out SYABAS' appeal filed by the Third Party at the Federal Court.

At the case management held on 18 April 2014, SYABAS' counsel informed the Kuala Lumpur High Court that the Hearing of the Appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013 and the Hearing of the motion filed by the Third Party to strike off SYABAS' appeal had been adjourned by the Federal Court to 7 July 2014. The Kuala Lumpur High Court went on to fix the matter for further case management on 9 July 2014 pending disposal of SYABAS' appeal and motion to strike out SYABAS' appeal filed by the State Government at the Federal Court.

On 7 July 2014, the Federal Court adjourned the Hearing of the appeal filed by SYABAS against the decision of the Court of Appeal dated 21 January 2013 and the Hearing of the motion filed by the State Government to strike off SYABAS' appeal to 2 October 2014.

The Kuala Lumpur High Court had on 9 July 2014 fixed the matter for further case management on 9 October 2014 pending the disposal of SYABAS' appeal and motion to strike out SYABAS' appeal filed by the State Government at the Federal Court, the Hearing of which was adjourned to 2 October 2014 by the Federal Court on 7 July 2014.

On 2 October 2014, the Federal Court had heard the SYABAS' appeal against the decision of the Court of Appeal dated 21 January 2013 which struck out SYABAS' Third Party Notice and Statement of Claim against the State Government and also the motion to strike out the SYABAS' appeal filed by the State Government. The Federal Court had dismissed the motion to strike out the SYABAS' appeal filed by the State Government and allowed SYABAS' appeal both with costs.

The Kuala Lumpur High Court had on 9 October 2014 fixed the matter for another case management on 8 December 2014 pending the outcome of the Motion for leave to Appeal to the Federal Court filed by the State Government arising from the decision of the Court of Appeal on 2 April 2014 in allowing SYABAS' appeal to join CIMB Investment Bank Berhad as Co-Plaintiff and also to re-amend the statement of claim.

INFORMATION ON SYABAS (Cont'd)

The hearing date on 10 November 2014 has been vacated and a new hearing date has been fixed on 6 January 2015 for the said Motion for Leave to Appeal to the Federal Court filed by the State Government.

The Kuala Lumpur High Court had on 8 December 2014 fixed the matter for further Case Management on 13 February 2015 pending the outcome of the Motion for Leave to Appeal to the Federal Court filed by the Selangor State Government arising from the decision of the Court of Appeal on 2 April 2014 in allowing SYABAS' appeal to join CIMB Investment Bank Berhad as Co-Plaintiff and also to re-amend the statement of claim.

The solicitors in charge and handling this case opined in the event that the decision of the Court of Appeal in the SPLASH suit remains undisturbed whereby the Court of Appeal had in that case decided that SYABAS has the right to pay its water suppliers on a proportionate basis, then SYABAS' chances of success are good.

10. CONCESSION HELD

10.1 SYABAS Concession Agreement

(i) Details of the concession

(a) Nature of concession

SYABAS executed the SYABAS Concession Agreement with the Federal Government and the State Government in relation to the privatisation of the water supply services in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The concession is on an operate and maintain basis for a period of 30 years commencing on 1 January 2005 and expiring on 31 December 2034.

(b) Duration and exclusivity of concession

30 years from the Operational Date and shall, unless earlier terminated or extended, expires at the end of 30th year from the Operational Date (1 January 2005), exclusivity not mentioned.

(c) Salient terms and conditions

Pursuant to the SYABAS Concession Agreement, SYABAS has been granted the right and authority to undertake and carry out the following:

- (aa) the supply and distribution of treated water to consumers in the State of Selangor, the Federal Territories of Kuala Lumpur and Putrajaya ("**Distribution Area**");
- (bb) the purchase of treated water from the three (3) water treatment operators, namely PNSB, SPLASH and ABASS;
- (cc) the taking over, upgrading, management, maintenance and protection of all water supply facilities vested in the Federal Government and the State Government for the supply and distribution of treated water within the Distribution Area;
- (dd) the design, construction and completion of new water supply facilities works and the operation, maintenance and protection of the same; and

INFORMATION ON SYABAS (Cont'd)

- (ee) the right to demand, collect and retain tariff for the supply and distribution of treated water and charges for the sale, rental or installation of water supply facilities, as gazetted by the Federal Government or the State Government.

SYABAS has to pay:

- (aa) in respect of the grant of the concession, the State Government within 30 days from the commencement of each concession year the sum of RM1.0 million;
- (bb) the State Government annual charges at the end of each concession year a specified amount in accordance with the SYABAS Concession Agreement;
- (cc) in consideration of the Federal Government granting the right to use and occupy all water supply facilities vested in the Federal Government, the Federal Government land use charges at the end of each concession year a specified amount in accordance with the SYABAS Concession Agreement.

(d) Rights, interest and major obligations

Rights:

- (aa) to demand, collect and retain tariff for the supply and distribution of treated water and charges for the sale, rental or installation of water supply facilities, as gazetted by the Federal Government or the State Government.

Obligations:

- (aa) supply and distribution of treated water to consumers within the Distribution Area;
- (bb) purchase of treated water from the three (3) water treatment operators;
- (cc) taking over, upgrading, management, maintenance and protection of all water supply facilities vested in the Federal Government and the State Government for the supply and distribution of treated water within the Distribution Area; and
- (dd) design, construction and completion of new water supply facilities works and the operation, maintenance and protection of the same;

(e) Regulation under which the concession is granted

Water Supply Enactment 1997 and WSIA.

(ii) Nature of relationship with concession giver

Contractual

(iii) Construction risk

There is no construction risk as SYABAS is only involved in the distribution of treated water.

INFORMATION ON SYABAS (Cont'd)

(iv) Dependence on concession giver

Contractual

(v) Financing requirements and sources of funding

- (a) RM410 million and RM250 million loan from Bank Pembangunan Malaysia Berhad to part finance the capital expenditure and the non-revenue water reduction programmes including the operation, maintenance, development and upgrading of the water distribution system over a period of 30 years.
- (b) RM655 million RPS fully subscribed by Minister of Finance, Incorporated in relation to the privatisation of the water supply services in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.
- (c) RM250 million Government Grant from Federal Government for non-revenue water reduction programmes.
- (d) RM3,000 million Bai Bithaman Ajil Commercial Papers / Medium Term Notes facility:
 - (aa) to repay all obligations under the syndicated bridging finance facilities which was raised amongst others, for the purchase of treated water from water treatment plant operators;
 - (bb) to part finance the supply and distribution of treated water to consumers in the distribution area; and
 - (cc) to part finance the operation, maintenance, upgrading and development of the existing water distribution systems in the distribution area.
- (e) RM1,045 million of RCULS⁷ for working capital purpose and to finance the capital expenditure.

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⁷ The coupon of 7% per annum on the nominal value of RCULS is payable by SYABAS to the RCULS holders. The RCULS will be redeemed in full by SYABAS on the maturity date (i.e. the 21st anniversary of the first issue date) at their nominal value on 9 March 2027. Each RCULS holder is entitled to exercise its conversion rights to convert the RCULS into new ordinary shares of SYABAS during the period from the date of first issue to maturity date at the conversion price of RM1.00 payable for every new SYABAS share to be issued or such price as may be agreed between SYABAS and the relevant RCULS holder prior to the conversion date. Until the RCULS have been redeemed or converted into shares of SYABAS, SYABAS shall pay to the RCULS holders, coupon on the nominal value of the RCULS outstanding at a fixed rate of 7% per annum.

INFORMATION ON WATER AND WASTEWATER CONCESSIONS IN THE PRC

1 Lushan Water Project**Details of the concession****(a) Nature of concession**

Luwei (Pingdingshan) Water Co., Ltd ("**Luwei**"), a 92.84% owned subsidiary of Sino Water Pte Ltd ("**Sino Water**"), was awarded the water supply concession project in Lushan County, Henan Province, PRC ("**Lushan Water Supply Project**") by The People's Government of Lushan, Henan, PRC ("**Lushan County Government**") on a BOT basis for a period of 30 years commencing from 1 May 2008. Sino Water is a 98.65% owned subsidiary of PNHB.

Under the concession, Luwei is to invest, finance, construct, design, operate and maintain a 50,000 m³ per day water treatment plant together with associated distribution pipelines in Lushan County, Pingdingshan City, Henan Province, PRC. Luwei shall transfer all its property, plant and equipment (including all water treatment and distribution facilities) together with the land-use rights to Lushan County Government at free of charge and free of encumbrance upon expiry of the concession period.

(b) Duration and exclusivity of concession

30 years exclusive rights to invest, finance, construct, design, operate, maintain and transfer the Lushan County Water Supply Project.

(c) Salient terms and conditions

(aa) Luwei may apply for tariff adjustment every 3 years, however, the water tariff rates shall be subject to the approval of the local Pricing Bureau and the tariff adjustment application shall be in accordance with the local rules and regulations;

(bb) Luwei shall provide free training to the nominated personnel of Lushan County Government on the water treatment plant operation 6 months prior to the expiry of the concession period;

(cc) Luwei shall ensure all water treatment and distribution facilities ("**Facilities**") are in normal operating conditions for a period of one (1) year ("**Warranty Period**") upon transfer to Lushan County Government. Luwei shall be responsible for any maintenance costs of Facilities during the Warranty Period, otherwise, Lushan County Government shall deduct the maintenance costs from the warranty fee payable by Luwei. Luwei shall pay 0.5% of its total investment sum as warranty fee one (1) month prior to the expiry of the concession period.

(d) Rights, interest and major obligations

Rights:

(aa) to supply treated water to all consumers within the concession area;

(bb) to collect water fee from the consumers; and

(cc) to lay distribution pipeline within all areas covered under Lushan County township plan.

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INFORMATION ON WATER AND WASTEWATER CONCESSIONS IN THE PRC (Cont'd)

Obligations:

- (aa) to invest, finance, construct, design, operate and maintain a 50,000 m³ per day water treatment plant and associated pipelines within the concession period;
- (bb) to construct a 30,000 m³ per day water treatment plant under initial stage and thereafter to upgrade the water treatment plant capacity to 50,000 m³ per day once the water demand increase;
- (cc) to construct and lay distribution pipelines in accordance with Lushan County township development plan;
- (dd) to ensure normal operation and maintenance of the water treatment plant and distribution pipelines within the stipulated concession area;
- (ee) to ensure 24 hours daily water supply service and to give 24 hours advance notice for water disruption arising from the facilities upgrading and routine maintenance works;
- (ff) to meet the water quality, volume, pressure and water supply service requirements pursuant to PRC law and the terms and conditions of the said water concession agreement; and
- (gg) To comply with all applicable laws, rules and regulations of Henan Province and PRC Environmental Protection Law.

(e) Regulation under which the concession is granted

Not applicable for water and wastewater concession in PRC but the concessionaire has to comply with the "Measures for the Administration on the Concession of Municipal Public Utilities" (effective on May 1, 2004, issued by Ministry of Construction, PRC).

2 Binzhou Wastewater Project**Details of the concession****(a) Nature of concession**

Xinnuo Water (Binzhou) Co., Ltd ("**Xinnuo Binzhou**"), a wholly owned subsidiary of Sino Water, was awarded the wastewater treatment project in Laodian Town, Yangxin County, Binzhou City, Shandong Province, PRC ("**Binzhou Wastewater Project**") by the People's Government of Laodian Town on a BOT basis for a period of 28 years commencing from 8 November 2007.

Under the concession, Xinnuo Binzhou shall invest, finance, construct, design, operate and maintain a 30,000 m³ per day wastewater treatment plant in the Chenlou Industrial & Commercial Park of Laodian Town, Yangxin County, Binzhou City, Shandong Province, PRC. Xinnuo Binzhou shall transfer all its property, plant and equipment together with the land-use rights to the Laodian Town Government at free of charge and free of encumbrance upon expiry of the concession period.

(b) Duration and exclusivity of concession

28 years exclusive rights to invest, finance, construct, design, operate, maintain and transfer the Binzhou Wastewater Project.

INFORMATION ON WATER AND WASTEWATER CONCESSIONS IN THE PRC (Cont'd)

(c) Salient terms and conditions

- (aa) Xinnuo Binzhou shall ensure the effluent meeting the PRC effluent standards and comply with the local Environmental Protection law during the concession period;
- (bb) Xinnuo Binzhou may create charge or pledge the properties or rights under the concession agreement to finance the project, however, the financing tenure shall not be more than 20 years; and
- (cc) Xinnuo Binzhou shall provide free training to the nominated personnel of Laodian Town Government on the wastewater treatment plant operation 6 months prior to the expiry of the concession period.

(d) Rights, interest and major obligations

Rights:

- (aa) to treat the wastewater discharged by all tannery plants/factories in Chenlou Industrial and Commercial Park; and
- (bb) to collect wastewater treatment fee from Laodian Town Government.

Obligations:

- (aa) to invest, finance, construct, design, operate and maintain a 30,000 m³ per day wastewater treatment plant within the concession period, of which, phase 1 plant capacity shall not be lower than 10,000 m³ per day;
- (bb) to ensure the effluent meeting the PRC effluent standards during the concession period;
- (cc) to take necessary and appropriate measures to prevent environmental pollution arising from the wastewater treatment operation during the concession period; and
- (dd) to comply with all applicable laws, rules and regulations of Henan Province and PRC Environmental Protection Law.

(e) Regulation under which the concession is granted

Not applicable for water and wastewater concession in PRC but the concessionaire has to comply with the "Measures for the Administration on the Concession of Municipal Public Utilities" (effective on May 1, 2004, issued by Ministry of Construction, PRC).

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INFORMATION ON WATER AND WASTEWATER CONCESSIONS IN THE PRC (Cont'd)

3 Yuanshi County Industrial Water Supply BOT Concession Project**Details of the concession****(a) Nature of concession**

Hebei Sino Panlong Industrial Water Supply Co., Ltd ("**Hebei Sino Panlong**"), an 80% owned subsidiary of Sino Water, was awarded the water supply concession project in Yuanshi County, Shijiazhuang City, Hebei Province, PRC ("**Yuanshi Water Supply Project**") by The People's Government of Yuanshi County, Hebei Province, PRC on a BOT basis for a period of 30 years commencing from 31 December 2009.

Hebei Sino Panlong shall invest, finance, construct, design, operate and maintain water treatment and distribution facilities (including those facilities taken over from the former industrial water supply company) for all the industrial areas in Yuanshi County, Shijiazhuang City, Hebei Province, PRC as well as to provide services and to collect fee from the consumers within the concession period. Hebei Sino Panlong shall transfer all its property, plant and equipment (including all water treatment and distribution facilities), land-use rights and all relevant documents to the Water Bureau of Yuanshi County at free of charge upon expiry of the concession period.

(b) Duration and exclusivity of concession

30 years exclusive rights to invest, finance, construct, design, operate, maintain and transfer the Yuanshi Water Supply Project.

(c) Salient terms and conditions

Hebei Sino Panlong may propose industrial water tariff rates applicable for different industrial water consumers by making reference to the tariff rates implemented by the surrounding counties or cities. However, the tariff rates shall be subject to the approval of the local Pricing Bureau;

(d) Rights, interest and major obligations

Rights:

- (aa) to supply water to all industrial areas within the administrative of Yuanshi County Government, including all current and future industrial areas;
- (bb) to collect water fee from the consumers;
- (cc) to transfer, or create charge or pledge the following properties or rights under the concession agreement:
 - right to collection of fee within the concession period of the project;
 - land use right, properties and other assets of the project; and
 - any other assets or rights under the concession agreement.

Obligations:

- (aa) to operate and maintain the existing industrial water distribution facilities within the concession period;
- (bb) to invest, finance, construct, design, operate and maintain new water treatment and distribution facilities or upgrade the existing water treatment and distribution within the stipulated concession areas;

INFORMATION ON WATER AND WASTEWATER CONCESSIONS IN THE PRC (*Cont'd*)

- (cc) to pay all relevant taxes pursuant to PRC laws; and
- (dd) to implement complete water quality testing system to ensure the water quality comply with the PRC standards and requirements.
- (e) Regulation under which the concession is granted

Not applicable for water and wastewater concession in PRC but the concessionaire has to comply with the "Measures for the Administration on the Concession of Municipal Public Utilities" (effective on May 1, 2004, issued by Ministry of Construction, PRC).

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PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON



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Assurance report on the compilation of pro forma statements of financial position included in the circular to shareholders

The Board of Directors
Puncak Niaga Holdings Berhad
10th Floor, Wisma Rozali
No 4, Persiaran Sukan
Seksyen 13, 40100 Shah Alam
Selangor
Malaysia

15 December 2014

Dear Sirs

Puncak Niaga Holdings Berhad (“the Company”)

Report on the compilation of pro forma consolidated statements of financial position included in the circular to shareholders for the proposed disposal of Puncak Niaga (M) Sdn. Bhd. and Syarikat Bekalan Air Selangor Sdn. Bhd. (“Proposed Disposals”)

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position as at 31 December 2013 by the Board of Directors. The pro forma consolidated statements of financial position and related notes as attached to this report have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company has compiled the pro forma consolidated statements of financial position are described in the notes to the pro forma consolidated statements of financial position.

The pro forma consolidated statements of financial position have been compiled by the Board of Directors of the Company to illustrate the effects of the Proposed Disposals, full exercise of warrants and full conversion of 5-year Redeemable Convertible Secured Sukuk Ijarah (“RCSSI”), and proposed dividend distribution on the Company’s consolidated statements of financial position as at 31 December 2013 as if these transactions had taken place at that date. As part of this process, information about the Company’s consolidated statements of financial position has been extracted by the Board of Directors from the Company’s financial statements for the year ended 31 December 2013, on which an audit report has been published.

Board of Directors’ Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors of the Company is responsible for the compilation of the pro forma consolidated statements of financial position on the basis as set out in the notes.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Puncak Niaga Holdings Berhad
*Report on the compilation of pro forma consolidated statements of financial position
 included in the circular to shareholders for the proposed disposal of
 Puncak Niaga (M) Sdn. Bhd. and Syarikat Bekalan Air Selangor Sdn. Bhd.
 15 December 2014*

Our Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Board of Directors on the basis as set out in the notes.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants ("MIA"). This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the pro forma consolidated statements of financial position as set out in the note.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions made on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31
DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Puncak Niaga Holdings Berhad
Report on the compilation of pro forma consolidated statements of financial position
included in the circular to shareholders for the proposed disposal of
Puncak Niaga (M) Sdn. Bhd. and Syarikat Bekalan Air Selangor Sdn. Bhd.
15 December 2014

Opinion

In our opinion, the pro forma consolidated statements of financial position have been properly compiled, in all material respects, on the basis stated in the notes to the pro forma financial information.

Other matters

This letter has been prepared for inclusion in the circular to shareholders in connection with the Proposed Disposals and should not be relied upon for any other purposes.

A handwritten signature in black ink, appearing to read 'KPMG' with a stylized flourish at the end.

KPMG
Firm Number: AF 0758
Chartered Accountants
Petaling Jaya

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

Puncak Niaga Holdings Berhad
Pro forma consolidated statements of financial position as at 31 December 2013

The pro forma consolidated statements of financial position of Puncak Niaga Holdings Berhad ("PNHB" or "the Company") and its subsidiaries, hereinafter collectively referred to as PNHB Group, set out below is provided for illustrative purpose, only to show the effects on the audited consolidated statement of financial position of PNHB Group as at 31 December 2013 had the proposed disposals of Puncak Niaga (M) Sdn. Bhd. ("PNSB") and Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"), full exercise of warrants and full conversion of 5-year Redeemable Convertible Secured Sukuk Ijarah ("RCSSI") and proposed dividend distribution as described in Note 1 been effected and completed on 31 December 2013, and should be read in conjunction with the accompanying notes.

	As at 31 December 2013 RM'000	Pro forma I After the Proposed Disposals RM'000	Pro forma II After the Conversion RM'000	Pro forma III After the Proposed Distribution RM'000
Non-current assets				
Property, plant and equipment	426,219	402,360	402,360	402,360
Operating financial assets	743,771	-	-	-
Service concession assets	84,562	69,171	69,171	69,171
Investment in associates	45	45	45	45
Investment in joint venture	858	858	858	858
Goodwill	26,254	26,254	26,254	26,254
Trade and other receivables	1,841,450	-	-	-
Deferred tax assets	14,966	14,966	14,966	14,966
	3,138,125	513,654	513,654	513,654
Current assets				
Inventories	5,318	619	619	619
Trade and other receivables	596,230	254,865	254,865	254,865
Operating financial assets	98,088	-	-	-
Short-term investments	50,029	50,029	50,029	50,029
Tax recoverable	86,659	6,487	6,487	6,487
Cash and bank balances	671,906	1,991,901	2,032,694	1,498,394
	1,508,230	2,303,901	2,344,694	1,810,394
Total assets	4,646,355	2,817,555	2,858,348	2,324,048



PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

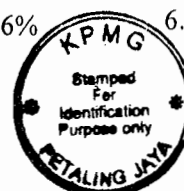
Appendix A

Puncak Niaga Holdings Berhad ("the Company")

Pro forma consolidated statements of financial position statements of financial position as at 31 December 2013 (continued)

	As at 31 December 2013 RM'000	Pro forma I After the Proposed Disposals RM'000	Pro forma II After the Conversion RM'000	Pro forma III After the Proposed Distribution RM'000
Current liabilities				
Loans and borrowings	120,720	112,819	112,819	112,819
Trade and other payables	335,028	272,985	272,985	272,985
Tax payable	487	487	487	487
	456,235	386,291	386,291	386,291
Non-current liabilities				
Provision for retirement benefits	2,052	-	-	-
Loans and borrowings	1,933,031	215,756	79,042	79,042
Trade and other payables	5,252	355	355	355
Deferred tax liabilities	475,236	25,917	24,527	24,527
	2,415,571	242,028	103,924	103,924
Total liabilities	2,871,806	628,319	490,215	490,215
Equity attributable to owners of the Company				
Share capital	411,261	411,261	534,554	534,554
Share premium	102,879	102,879	185,379	185,379
Treasury shares	(5,941)	(5,941)	(5,941)	(5,941)
Equity component of RCSSI	6,770	6,770	-	-
Foreign currency translation reserve	5,387	5,387	5,387	5,387
Revaluation reserve	69,088	69,088	69,088	69,088
Other reserve	(340,943)	(20,289)	(20,289)	(20,289)
Available-for-sale reserve	29	29	29	29
Retained earnings	1,528,226	1,622,259	1,602,133	1,067,833
Shareholders' funds	1,776,756	2,191,443	2,370,340	1,836,040
Non controlling interest	(2,207)	(2,207)	(2,207)	(2,207)
Total equity	1,774,549	2,189,236	2,368,133	1,833,833
Total equity and liabilities	4,646,355	2,817,555	2,858,348	2,324,048
No. of PNHB Shares in issue (net of treasury shares) ('000)	409,224	409,224	532,517	532,517
Net assets per share (RM)	4.33	5.34	4.45	3.45
Gearing ratio (times) (1)	1.16	0.15	0.08	0.10
Cash + short-term investment/ Total Assets	15.54%	72.47%	72.86%	66.63%
Loans and borrowings / Total Assets	44.20%	11.66%	6.71%	8.26%

(1) Loans and borrowings / Shareholders' fund



PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

Puncak Niaga Holdings Berhad**Notes to the pro forma consolidated statements of financial position
as at 31 December 2013****1. Basis of compilation**

- (a) The pro forma consolidated statements of financial position, for which the Board of Directors of PNHB are solely responsible, has been prepared for illustrative purposes, based on the consolidated statement of financial position as at 31 December 2013 of PNHB Group as extracted from the audited financial statements for the year ended 31 December 2013, approved by the Directors for issuance on 28 April 2014. The financial statements were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") in Malaysia. The pro forma statements of financial position have been prepared in a manner consistent with the accounting policies of PNHB as adopted for the audited financial statements for the year ended 31 December 2013 to provide information on how the consolidated statement of financial position of PNHB Group as at 31 December 2013 might have been affected had the following transactions been completed on that date:

Pro forma I

- (i) the entire equity interest in PNSB comprising 10,000,000 ordinary shares of RM1.00 each in PNSB and 48,000,000 cumulative convertible redeemable preference shares of RM0.10 each in PNSB ("PNSB CCRPS") to Pengurusan Air Selangor Sdn Bhd (formerly known as Temasek Tiasa Sdn Bhd) ("Air Selangor") for a cash consideration of RM1,117.5 million; and
- (ii) 70% equity interest held in SYABAS comprising 45,500,000 ordinary shares of RM1.00 each in SYABAS for a cash consideration of RM225.8 million and RM212.0 million nominal value of redeemable convertible unsecured loan stocks ("RCULS") to Air Selangor for a cash consideration of RM212.0 million.

collectively referred to as ("Proposed Disposals").

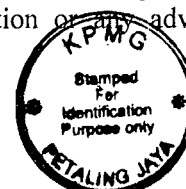
Pro forma II

Upon completion of the Proposed Disposals, it is assumed that 40,792,666 unexercised warrants as at 31 December 2013 and 5-year Redeemable Convertible Secured Sukuk Ijarah ("RCSSI") will be fully exercised and converted to ordinary shares ("the Conversion").

Pro forma III

Upon completion of the Proposed Disposals and the Conversion, a part of the proceeds is distributed to the shareholders of PNHB via a cash dividend of approximately RM534.3 million ("Proposed Distribution").

- (b) The auditors' report dated 28 April 2014 on the financial statements of the PNHB Group for the financial year ended 31 December 2013 did not contain any qualification or any adverse comment.



PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

2. Effects of the Proposed Disposals and Proposed Distribution

For illustrative purpose, the pro forma consolidated statements of financial position as at 31 December 2013 incorporate the following events and transactions as if they had been completed on 31 December 2013:

Pro forma I - Proposed Disposals

Pro forma I incorporates the effects of the Proposed Disposals.

Pro forma II - Conversion

Pro forma II incorporates the effects of Pro forma I and the Conversion.

Pro forma II - Proposed Distribution

Pro forma II incorporates the effects of Pro forma I, Pro forma II and the effects of the Proposed Distribution.

3. Others

- i. In accordance with the sale and purchase agreement between PNHB and Air Selangor ("SPA") dated 11 November 2014, PNHB will dispose of the entire equity interest of PNSB and 70% equity interest of SYABAS for a total cash consideration of RM1,555,300,000:

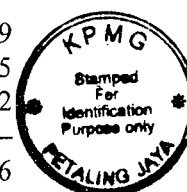
	Cash consideration RM'000
PNSB	1,117,500
SYABAS	437,800
	<u>1,555,300</u>

- ii. Based on the SPA, non-concession related assets, liabilities and businesses of PNSB shall be returned to PNHB by Air Selangor.

As at 31 December 2013, the non-concession related assets, liabilities and businesses of PNSB based on their respective carrying values in the books of PNSB are as follows:

	RM'000
Assets	
Properties, plant and equipment	220,046
Trade and other receivables	220,644
Cash and cash equivalents	75,919
	<u>516,609</u>
Liabilities	
Trade and other payables	26,139
Hire purchase liabilities	7,365
Deferred tax liability	20,002
	<u>53,506</u>

It is assumed that there is no tax chargeable on the transfer of the above assets and liabilities from PNSB.



PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PNHB AS AT 31 DECEMBER 2013 AND THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

iii. The payment of consideration is to be at cash consideration of RM1,555,300,000.

	RM'000
Cash and cash equivalents	
As at 31 December 2013	671,906
Disposal of cash and cash equivalents held in PNSB	(235,305)
Proceeds from Proposed Disposals	1,555,300
Pro forma I	<u>1,991,901</u>
Proceeds from exercise of warrants	40,793
Pro forma II	<u>2,032,694</u>
Payment of Proposed Distribution	(534,300)
Pro forma III	<u><u>1,498,394</u></u>

iv. Net gain from the Proposed Disposals is as follows:

	RM'000
Proceeds from Proposed Disposals	1,555,300
Carrying value of assets less liabilities disposed of	(1,137,311)
Less: Transactions costs	(3,300)
	<u><u>414,689</u></u>

☐ In arriving at Pro Forma I, it is assumed that total transaction costs of RM3.3 million are incurred.

v. Warranties

In accordance with the SPA, PNHB provides various warranties to Air Selangor, and it is assumed that none of these warranties will crystallise for the purpose of the preparation of the pro forma statements of financial position.

vi. Number of PNHB ordinary shares in issue (net of treasury shares)

	'000
As at 31 December 2013/ Pro forma I	409,224
Effect of:	
Exercise of warrants	40,793
Conversion of RCSSI	87,500
Pro forma II/ Pro forma III	<u><u>537,517</u></u>



VALUATION LETTERS

MOORE STEPHENS

15 December 2014

The Board of Directors
Puncak Niaga Holdings Berhad
 No.4, Persiaran Sukan
 Seksyen 13
 40100 Shah Alam
 Selangor

Moore Stephens Associates PLT
 (LLP0000963-LCA & AF002096)
 Chartered Accountants
 Unit 3.3A, 3rd Floor, Surian Tower
 No 1 Jalan PJU 7/3, Mutiara Damansara
 47810 Petaling Jaya, Selangor, Malaysia
 T 603 7728 1800 (General) ; 7724 1033 (Assurance)
 F 603 7728 9800 (General) ; 7733 1033 (Assurance)

Dear Sirs

**VALUATION OF THE ENTIRE EQUITY INTEREST IN PUNCAK NIAGA (M) SDN. BHD.
 ("PNSB")**

1. Introduction and Background Information

This valuation letter has been prepared for prepared for inclusion in the circular to shareholders of Puncak Niaga Holdings Berhad ("PNHB") dated 16 December 2014 ("Circular") in relation to proposed disposal of the entire equity interest in PNSB comprising 10,000,000 ordinary shares of RM1.00 each in PNSB ("PNSB Shares") and 48,000,000 cumulative convertible redeemable preference shares of RM0.10 each in PNSB ("PNSB CCRPS") comprising only the water concession business⁽¹⁾ to Pengurusan Air Selangor Sdn Bhd (formerly known as Temasek Tiasa Sdn Bhd), a wholly-owned subsidiary of Kumpulan Darul Ehsan Berhad for a cash consideration of RM1,117.5 million ("Proposed Disposal").

Moore Stephens Associates PLT ("MS") had been appointed by PNHB to provide a valuation of PNSB Shares and PNSB CCRPS comprising only the water concession business to facilitate this Proposal Disposal based on the scope of work as set out in our engagement letter dated 6 May 2014 ("Valuation").

The date of valuation is 30 June 2014 ("Valuation Date").

Note:

- (1) Water concession business refers to PNSB's exclusive rights assigned by the State Government of Selangor with the signing of all the agreements (as mentioned in Section 3 below) to operate, maintain, manage, construct, rehabilitate and refurbish the water treatment activities for a given number of years based on the respective agreements.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
Valuation dated 15 December 2014
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2. Basis of Valuation

The basis of the Valuation used herein is the fair market value which is defined as “the approximate price of an asset that would change hands between a willing buyer and a willing seller when neither is acting under compulsion and when both have the relevant and required facts.”

MS is engaged to conduct the Valuation of PNSB using the discounted cash flow (“DCF”) method based on the premise that PNSB will carry on its business based on the conditions as defined in the various agreements as mentioned in Section 6 for the remaining concession period and the key bases and assumptions as indicated in Section 4 in relation to the Proposed Disposal are achievable. This Valuation represents only our best estimate and may not necessarily reflect the value obtained in any particular transaction and is not intended to be binding on any parties.

The DCF method is selected for this Valuation after due consideration is given to the purpose of this Valuation, nature of business of PNSB which are predictable and the water concession has a finite life.

3. Methods of Valuation**Discounted Cash Flow**

The revenue and cost structure of PNSB are fundamentally regulated by the terms of the Concession. Based on the said terms, a set of cash flow projections of PNSB for the duration of the Concession can be projected.

The DCF method considers the time value of a company, as the future cash flows of a company are estimated and discounted at a rate that reflects the risks and return of the future cash flows. The key advantage of the DCF method is that it takes into consideration the various assumptions made on the revenue stream, expected capital expenditure and operating costs throughout the valuation period. The firm value is derived from Free Cash Flow to Firm (“FCFF”). Hence using Free Cash Flow to Equity (“FCFE”) model, the equity value is derived by deducting the current market value of the loans and borrowings from FCFF to derive the equity value of PNSB.

Discount rate

In arriving at our valuation, MS has applied a discount rate (i.e. Weighted Average Cost of Capital (“WACC”)) of 7.64%. In estimating the discount rate, MS has considered, amongst others:

- (a) Risk free rate of approximately 3.96% as at 30 June 2014 extracted from Bloomberg;
- (b) Equity risk premium of 5.64% as at 30 June 2014 extracted from Bloomberg;
- (c) Proxy beta of 0.73 based on selected peer company and MS’s analysis;
- (d) Tax rate of 24% that primarily represents the Malaysian tax rate for the remaining concession period;
- (e) Cost of debt (after tax) of approximately 5.97% and debt/equity ratio of 0.28 based on MS’s analysis;
- (f) Control Premium which is negligible as prior consent is required from the relevant authorities for any change in major water concessionaires and power provided to the Federal Government under Section 114 of the Water Services Industry Act 2006 (“WASIA”); and
- (g) Illiquidity discounts of 20% to 30%.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
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Please note that there are generally many approaches in computing discount rate. The estimation of discount rate is a subjective matter as there are many assumptions involved and it is subject to professional judgement. Given such complexity, the outcome could vary as it involves careful consideration and interpretations of these factors and judgements applied. For the purpose of this letter, we have been requested to provide detailed parameters used in computing the discount rate. We caution however that discount rate should not be considered in isolation as it forms only one aspect of valuation.

4. Summary of Key Bases and Assumptions of the Financial Projections and Valuation

4.1 Key assumptions

- (i) The Long Term Receivable owing by SYABAS is assumed to be fully collected during the year ending 31 December 2018 upon the full collection of the water tariff compensation from the State Government of Selangor by SYABAS. This assumption is also consistent with the key estimates as stated in the audited financial statements of PNSB for the financial year ended 31 December 2013 ("AFS 2013") assuming that the legal proceeding instituted by SYABAS against the State Government of Selangor will be concluded favourably in year 2016.
- (ii) The late payment interest associated with the Long Term Receivable will be paid by SYABAS to PNSB on staggered basis when the cash flow of SYABAS permits.
- (iii) All inter-company balances between PNSB and PNHB group of companies to be waived.
- (iv) PNSB CCRPS will be converted and assumed as equity which is consistent with its treatment in the AFS 2013.
- (v) The cash flows projections have assumed the continuity of the operations of PNSB based on the key assumptions above notwithstanding the decision made by Lembaga Urus Air Selangor not to renew PNSB's raw water abstraction licences beyond 31 May 2014.
- (vi) Redeemable Secured Bonds ("RSB") and Bithaman Ajil Islamic Debt Securities ("BaIDs") will be restructured to years 2017 and 2018 respectively for repayment.
- (vii) The existing terms and conditions of all the agreements as mentioned in Section 6 below will remain in force.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
Valuation dated 15 December 2014
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4.2 General assumptions

- (i) There will be no expropriation of the Concession Agreements by the Government of Malaysia or other events leading to the termination of the Concession Agreements prior to the end of the concession period or the invocation of Section 114 of the WASIA.
- (ii) There will be no material changes to the forecasted and projected water supply revenue and costs which is dependent on the market demand and its percentage of capacity utilisation.
- (iii) There will be no major breakdown or disruption in the supply facilities, industrial disputes, and disruption in supplies of water, raw materials or other abnormal circumstances, both domestic and overseas, which will adversely affect the operations, revenue and expenditure of PNSB.
- (iv) There will be no major legal proceedings or claims against PNSB which will adversely affect the activities or performance of PNSB or give rise to any liabilities which will affect the future cash flow of PNSB.
- (v) There will be no significant technological changes or major disruption in concession assets which will affect the activities and performance of PNSB.
- (vi) There will be no significant changes to the prevailing Malaysian, regional and world economic and political conditions that may directly or indirectly adversely affect the performance of PNSB.
- (vii) There will be no significant changes in the prevailing legislation or State Government of Selangor regulations which will adversely affect the Company activities or the market in which PNSB operates.
- (viii) There will be no significant changes in the current structure and principal activities of PNSB.
- (ix) There will be no significant changes in the key personnel and management of PNSB, and in the operating policies, which may adversely affect the technical capabilities and the level of activities of PNSB.
- (x) There will be no early repayment of borrowings. All borrowings will be repaid in accordance with the existing or revised repayment schedules of the respective borrowings.
- (xi) There will be no significant changes in the cash flows of PNSB upon the implementation of Goods and Services Tax in Malaysia with effective from 1 April 2015.
- (xii) Inflation rates will not fluctuate significantly from its present level.

This Valuation is fundamentally predicted on the aforesaid key assumptions and the achievement of projected performance. In this connection, it would be appreciated that any significant under-achievement or delay would have a consequential impact on this Valuation.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
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5. Limitations

This Valuation is primarily based on the information and representations obtained from the management of PNSB and other publicly available information. While MS has taken reasonable care and diligence in arriving at its recommendation stated herein; it wishes to emphasise that the review carried out is limited only to a review of the cash flow forecasts and projections (the "Projections") to ensure that the assumptions adopted in the cash flows forecasts and projections are consistent with the accounting policies normally adopted by PNSB and is prepared in accordance with the Malaysian Accounting Standards Board approved accounting standards.

MS has not carried out any works which constitute an audit in accordance with generally accepted auditing standards including any in-depth investigation into the business or affairs of PNSB. In conducting this limited review, MS has relied on representations and documentation. Hence, no representation or warranty, either expressed or implied, as to the accuracy of the source material is intended or should be implied on the part of MS by PNHB or any party who may gain access to this letter through any means, legal or otherwise.

Furthermore, no representation or warranty, either expressed or implied, is made with respect to the accuracy or completeness of the information contained in this letter, nor will MS be responsible, whether expressed or implied, for any liability resulting from any form of reliance upon any information contained herein, and any conclusion drawn therefrom, which is subsequently found to be inaccurate or incomplete.

This letter is prepared solely for the exclusive use of PNHB for the Proposed Disposal as well as the use of PNHB for inclusion in the Circular on the Proposed Disposal and inspection (where necessary). Save for the foregoing, neither the whole nor any part of this letter or any reference herein may be included in any document, or statement nor published in any way, without our prior written consent of the form and context in which it may appear.

This letter shall not be reproduced, in part or in whole, without our prior written consent, or relied upon for any other purpose other than that stated above. We will not accept any duty of care to any person other than the addressee.

6. Sources of Information

We have relied on, inter-alia, the following information and documents provided to us by the management of PNSB in arriving at the Valuation of the water concession business of PNSB:

- (i) Cash flows forecast and projections of PNSB for the 21 financial years ending 31 December 2014 to 2034;
- (ii) Privatisation Cum Concession Agreement ("PCCA") between the State Government of Selangor and PNSB dated 22 September 1994;
- (iii) Supplemental Agreement to the PCCA between State Government of Selangor and PNSB dated 23 May 1996;
- (iv) Supplemental Agreement to the PCCA between State Government of Selangor and PNSB dated 31 December 2004;

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
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- (v) Construction Cum Operation Agreement (“CCOA”) between the State Government of Selangor and PNSB dated 22 March 1995 for the design and construction of Sungei Selangor Phase 2 water supply scheme and the subsequent operation and maintenance of the completed facilities;
- (vi) Supplemental Agreement to the CCOA between the State Government of Selangor and PNSB dated 31 December 2004;
- (vii) Sungai Lolo Water Treatment Plant (Extension) Operation and Maintenance Agreement (“SLOMA”) between the State Government of Selangor and PNSB dated 16 August 2007;
- (viii) Novation Agreement to SLOMA between the State Government of Selangor, PNSB and Syarikat Bekalan Air Selangor Sdn. Bhd. (“SYABAS”) dated 16 August 2007;
- (ix) Sungai Sireh Water Treatment Plant Operation and Maintenance Agreement (“SSOMA”) between the State Government of Selangor and PNSB dated 7 March 2008;
- (x) Novation Agreement to the SSOMA between the State Government of Selangor, PNSB and SYABAS dated 7 March 2008;
- (xi) Wangsa Maju Water Treatment Plant Concession Agreement (“WMCA”) between the State Government of Selangor and PNSB dated 31 December 2004;
- (xii) Novation Agreement to the WMCA between the State Government of Selangor, PNSB and SYABAS dated 31 December 2004;
- (xiii) Novation Agreement between the State Government of Selangor, PNSB and SYABAS dated 31 December 2004;
- (xiv) Novation Agreement between the State Government of Selangor, PNSB and Serba Tiara Sdn. Bhd. dated 3 February 2005;
- (xv) Deed of Assignment between the State Government of Selangor and Serba Tiara Sdn. Bhd. dated 3 February 2005;
- (xvi) audited financial statements of PNSB for the financial year ended 31 December 2013;
- (xvii) management report of PNSB for the financial period ended 30 June 2014; and
- (xviii) verbal representations and discussions with the management of PNSB.

In addition, we have also reviewed certain information available in the public domain pertaining to the industries and certain public listed companies comparable to PNSB.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Puncak Niaga (M) Sdn. Bhd.
Valuation dated 15 December 2014
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7. Conclusion

Discounting the FCFF for the 21 financial years ending 31 December 2014 to 2034 using the discount rate of 7.64%; adding the opening cash balance of PNSB as at 30 June 2014 and deducting the value of debt as at 30 June 2014, the value of the entire equity interest of PNSB comprising only the water concession business, is as follows:

	RM billion
FCFF	3.386
Add: Cash and Bank balance at 30 June 2014	0.160
Less: Borrowings at 30 June 2014	(1.743)
Entire equity value of PNSB's water concession business	<u>1.803</u>
Entire equity value of PNSB's water concession business, after imputing the illiquidity discount of 30%	<u>1.262</u>
Entire equity value of PNSB's water concession business, after imputing the illiquidity discount of 20%	<u>1.442</u>

Hence, the approximate range of value of the entire equity interest comprising PNSB Shares and PNSB CCRPS, comprising only the water concession business, after adjusting for illiquidity discount, is between RM1.262 billion to RM1.442 billion.

MS wishes to highlight that the Valuation will deviate substantially if there are changes in the following key assumptions:

- i) Collection of long term receivable owing by SYABAS in year 2018 is not achieved in the event that the legal proceeding instituted by SYABAS against the State Government of Selangor will not be concluded favourably in year 2016.
- ii) The late payment interest associated with the long term receivable will not be paid by SYABAS.
- iii) RSB and BaIDs will not successfully be restructured to years 2017 and 2018 respectively for repayment.

Yours faithfully,

Moore Stephens Associates

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

15 December 2014

Puncak Niaga Holdings Berhad
 No.4, Persiaran Sukan
 Seksyen 13
 40100 Shah Alam
 Selangor

Moore Stephens Associates PLT
 (LLP0000963-LCA & AF002096)
 Chartered Accountants
 Unit 3.3A, 3rd Floor, Surian Tower
 No 1 Jalan PJU 7/3, Mutiara Damansara
 47810 Petaling Jaya, Selangor, Malaysia
 T 603 7728 1800 (General) ; 7724 1033 (Assurance)
 F 603 7728 9800 (General) ; 7733 1033 (Assurance)

Dear Sirs

VALUATION OF 70% EQUITY INTEREST IN SYARIKAT BEKALAN AIR SELANGOR SDN. BHD. ("SYABAS" OR "THE COMPANY")

1. Introduction and Background Information

This valuation letter has been prepared for inclusion in the circular to shareholders of Puncak Niaga Holdings Berhad ("PNHB") dated 16 December 2014 ("Circular") in relation to the proposed disposal by PNHB of the 70% equity interest comprising 45,500,000 ordinary shares of RM1.00 each in SYABAS ("SYABAS Shares") and RM212 million nominal value of redeemable convertible unsecured loan stocks ("RCULS") to Pengurusan Air Selangor Berhad, a wholly-owned subsidiary of Kumpulan Darul Ehsan Berhad for a cash consideration of RM437.8 million ("Proposed Disposal").

Moore Stephens Associates PLT ("MS") had been appointed by PNHB to provide a valuation on SYABAS Shares and RCULS of SYABAS to facilitate this Proposed Disposal based on the scope of work as set out in our engagement letter dated 6 May 2014 ("Valuation").

The date of valuation is 30 June 2014 ("Valuation Date").

2. Basis of Valuation

The basis of the Valuation used herein is the fair market value which is defined as "the approximate price of an asset that would change hands between a willing buyer and a willing seller when neither is acting under compulsion and when both have the relevant and required facts."

MS is engaged to conduct the Valuation of SYABAS using the discounted cash flow ("DCF") method based on the premise that SYABAS will carry on its business based on the conditions as defined in the various agreements as mentioned in Section 6 for the remaining concession period and the key bases and assumptions as indicated in Section 4 in relation to the Proposed Disposal are achievable. This Valuation represents only our best estimate and may not necessarily reflect the value obtained in any particular transaction and is not intended to be binding on any parties.

The DCF method is selected for this Valuation after due consideration is given to the purpose of this Valuation, nature of business of SYABAS which are predictable and the water concession has a finite life.

VALUATION LETTERS (Cont'd)

Syarikat Bekalan Air Selangor Sdn. Bhd.

Valuation dated 15 December 2014

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3. Methods of Valuation

Discounted Cash Flow

The revenue and cost structure of SYABAS are fundamentally regulated by the terms of the Concession. Based on the said terms, a set of cash flow projections of SYABAS for the duration of the Concession can be projected.

The DCF method considers the time value of a company, as the future cash flows of a company are estimated and discounted at a rate that reflects the risks and return of the future cash flows. The key advantage of the DCF method is that it takes into consideration the various assumptions made on the revenue stream, expected capital expenditure and operating costs throughout the valuation period. The firm value is derived from Free Cash Flow to Firm ("FCFF"). Hence using Free Cash Flow to Equity ("FCFE") model, the equity value is derived by deducting the current market value of the loans and borrowings from FCFF to derive the equity value of SYABAS.

Discount rate

In arriving at our valuation, MS has applied a discount rate (i.e. Weighted Average Cost of Capital ("WACC")) of 8.41%. In estimating the discount rate, MS has considered, amongst others:

- (a) Risk free rate of approximately 3.96% as at 30 June 2014 extracted from Bloomberg;
- (b) Equity risk premium of 5.64% as at 30 June 2014 extracted from Bloomberg;
- (c) Proxy beta of 1.5057 based on selected peer company and MS's analysis;
- (d) Tax rate of 24% that primarily represents the Malaysian tax rate for the remaining concession period;
- (e) Cost of debt (after tax) of approximately 6.35% and debt/equity ratio of 1.95 based on MS's analysis;
- (f) Control Premium which is negligible as prior consent is required from the relevant authorities for any change in major water concessionaires and power provided to the Federal Government under Section 114 of the Water Services Industry Act 2006 ("WASIA"); and
- (g) Illiquidity discounts of 20% to 30%.

Please note that there are generally many approaches in computing discount rate. The estimation of discount rate is a subjective matter as there are many assumptions involved and it is subject to professional judgement. Given such complexity, the outcome could vary as it involves careful consideration and interpretations of these factors and judgements applied. For the purpose of this letter, we have been requested to provide detailed parameters used in computing the discount rate. We caution however that discount rate should not be considered in isolation as it forms only one aspect of valuation.

VALUATION LETTERS (Cont'd)

Syarikat Bekalan Air Selangor Sdn. Bhd.
Valuation dated 15 December 2014
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MOORE STEPHENS

4. Summary of Key Bases and Assumptions of the Cash Flows Projections and Valuation

4.1 Revenue and Collection

- (i) Water tariff compensation as per the CA for the period from 1 January 2009 to 31 March 2011 amounting to approximately RM1.054 billion will be collected from the State Government of Selangor in 2017. This assumption is also consistent with the key estimates as stated in the audited financial statements of SYABAS for the financial year ended 31 December 2013 ("AFS 2013").

The remaining water tariff compensation from 1 April 2011 to 31 December 2016 of approximately RM6.465 billion will be fully collected from the State Government of Selangor in 2018 upon the favourable outcome of the litigation claimed against the State Government of Selangor in 2017.

- (ii) Tariff adjustment in accordance with the CA will resume with effect from 2017. In respect of each operating period of three years (except for 2030 to 2034), the average tariff rate after incorporating the adjustment is as follows:

	2017 ⁽¹⁾	2018 to 2020	2021 to 2023	2024 to 2026	2027 to 2029	2030 to 2034
Average tariff rate (RM/m³)	2.71	3.26	3.31	3.48	3.65	3.83

⁽¹⁾ This forms part of the 2015 to 2017 operating period. Tariff adjustment will resume in 2017

4.2 Water Supply

- (i) Annual water purchase is a sum of consumer demand and the amount of non-revenue water ("NRW"). A reserve margin of 15% will be maintained from 2017 onwards. The average NRW rate will decline gradually from 34.5% in 2013 to 17.9% in 2034 as a result of the NRW reduction programme. The rate for specific NRW per MLD savings of RM880,000 and its subsequent rate of increase in every three-years interval (approximately 10%) are as estimated by the Project & NRW Division of SYABAS based on available historical data.

The approval will be granted by SPAN annually on the Capital Expenditure ("CAPEX") programme (of which NRW reduction programme forms part of the CAPEX programme) to be undertaken by SYABAS.

- (ii) Phase 1 of Langat 2 water treatment plant will be constructed at a cost of RM1.8 billion and completed in 2017. Phase 1 will have a maximum capacity of 1,130 MLD.
- (iii) Phase 2 of Langat 2 water treatment plant will be constructed at a cost of RM1 billion and completed in 2023 with a maximum capacity of 1,130 MLD.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

Syarikat Bekalan Air Selangor Sdn. Bhd.

Valuation dated 15 December 2014

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4.3 Borrowings

- (i) In consistent with the RCULS treatment in the AFS 2013, RCULS shall be treated as a liability for the Valuation.
- (ii) The first issuance of Bai Bithaman Ajil Medium Term Notes ("BAMTN") of RM1.03 billion will be restructured to year 2017 for repayment. RCULS including interest will be deferred to year 2031 for repayment.
- (iii) Under the Proposed BAMTN Restructuring, SYABAS is required to maintain financial covenants of debt to equity ratio of 75:25 and debt to service cover ratio of 1.0 times as compared to the existing requirements of 70:30 and 1.25 times respectively.
- (iv) Additional borrowings of RM2 billion will be obtained in year 2018 at the assumed prevailing interest rate.

4.4 Debts and late payment interests owing to water treatment operators

The total outstanding debts owing to the water treatment operators will be fully settled by 2018 with the collection from the water tariff compensation.

The late payment interest will be settled on a staggered basis when the cash flows permit. No late payment interest will be provided from year 2018 onwards upon the full settlement of the long outstanding debts to the water treatment operators in year 2018.

4.5 Going concern and other assumptions

The cash flows projections have assumed the continuity of the operations of SYABAS and based on the key assumptions above. The existing terms and conditions of the Concession Agreement ("CA") will remain in force.

4.6 General assumptions

- (i) There will be no expropriation of the CA or other events leading to the termination of the CA prior to the end of the concession period or the invocation of Section 114 of the WASIA.
- (ii) There will be no material changes to the forecasted and projected water supply revenue and costs which is dependent on the market demand and its percentage of capacity utilisation.
- (iii) There will be no major breakdown or disruption in the supply facilities, industrial disputes, and disruption in supplies of water, raw materials or other abnormal circumstances, both domestic and overseas, which will adversely affect the operations, revenue and expenditure of SYABAS.
- (iv) There will be no major legal proceedings or claims against SYABAS which will adversely affect the activities or performance of SYABAS or give rise to any liabilities which will affect the future cash flow of SYABAS.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS*Syarikat Bekalan Air Selangor Sdn. Bhd.**Valuation dated 15 December 2014**Page | 5*

- (v) There will be no significant technological changes or major disruption in concession assets which will affect the activities and performance of SYABAS.
- (vi) There will be no significant changes to the prevailing Malaysian, regional and world economic and political conditions that may directly or indirectly adversely affect the performance of SYABAS.
- (vii) There will be no significant changes in the prevailing legislation or State Government of Selangor regulations which will adversely affect SYABAS's activities or the market in which SYABAS operates.
- (viii) There will be no significant changes in the current structure and principal activities of SYABAS.
- (ix) There will be no significant changes in the key personnel and management of SYABAS, and in the operating policies, which may adversely affect the technical capabilities and the level of activities of SYABAS.
- (x) There will be no early repayment of borrowings. All borrowings will be repaid in accordance with the existing or revised repayment schedules of the respective borrowings.
- (xi) There will be no significant changes in the cash flows of SYABAS upon the implementation of Goods and Services Tax in Malaysia with effective from 1 April 2015.
- (xii) Inflation rates will not fluctuate significantly from its present level.

This Valuation is fundamentally predicted on the aforesaid key assumptions and the achievement of projected performance. In this connection, it would be appreciated that any significant under-achievement or delay would have a consequential impact on this Valuation.

5. Limitations

This Valuation is primarily based on the information and representations obtained from the management of SYABAS and other publicly available information. While MS has taken reasonable care and diligence in arriving at its recommendation stated herein; it wishes to emphasise that the review carried out is limited only to a review of the cash flow forecast and projections (the "Projections") to ensure that the assumptions adopted in the cash flow forecast and projections are consistent with the accounting policies normally adopted by SYABAS and is prepared in accordance with the Malaysian Accounting Standards Board approved accounting standards.

MS has not carried out any works which constitute an audit in accordance with generally accepted auditing standards including any in-depth investigation into the business or affairs of SYABAS. In conducting this limited review, MS has relied on representations and documentation provided by the management of SYABAS and has accepted this information to be reliable and accurate. Hence, no representation or warranty, either expressed or implied, as to the accuracy of the source material is intended or should be implied on the part of MS by PNHB or any party who may gain access to this letter through any means, legal or otherwise.

VALUATION LETTERS (Cont'd)

MOORE STEPHENS

*Syarikat Bekalan Air Selangor Sdn. Bhd.**Valuation dated 15 December 2014**Page | 6*

Furthermore, no representation or warranty, either expressed or implied, is made with respect to the accuracy or completeness of the information contained in this letter, nor will MS be responsible, whether expressed or implied, for any liability resulting from any form of reliance upon any information contained herein, and any conclusion drawn therefrom, which is subsequently found to be inaccurate or incomplete.

This letter is prepared solely for the exclusive use of PNHB for the Proposed Disposal as well as the use of PNHB for inclusion in the Circular on the Proposed Disposal and inspection (where necessary). Save for the foregoing, neither the whole nor any part of this letter or any reference herein may be included in any document, or statement nor published in any way, without our prior written consent of the form and context in which it may appear.

This letter shall not be reproduced, in part or in whole, without our prior written consent, or relied upon for any other purpose other than that stated above. We will not accept any duty of care to any person other than the addressee.

6. Sources of Information

We have relied on, inter-alia, the following information and documents provided to us by the management of SYABAS in arriving at the Valuation of SYABAS:

- (i) Cash flows forecast and projections of SYABAS for the 21 financial years ending 31 December 2014 to 2034;
- (ii) Concession Agreement between The Government of Malaysia, the State Government of Selangor and SYABAS dated 15 December 2004 (known as “the Concession”);
- (iii) Novation Agreement to the Wangsa Maju Water Treatment Plant Concession Agreement between the State Government of Selangor, Puncak Niaga (M) Sdn Bhd (“PNSB”) and SYABAS dated 31 December 2004;
- (iv) Novation Agreement to the Privatisation Cum Concession Agreement (“PCCA”) and Construction Cum Operation Agreement (“CCOA”) between the State Government of Selangor, PNSB and SYABAS dated 31 December 2004;
- (v) Novation Agreement to the Sungai Lolo Water Treatment Plant (Extension) Operation and Maintenance Agreement between the State Government of Selangor, PNSB and SYABAS dated 16 August 2007;
- (vi) Novation Agreement to the Sungai Sireh Water Treatment Plant Operation and Maintenance Agreement between the State Government of Selangor, PNSB and SYABAS dated 7 March 2008;
- (vii) Novation Agreement between the State Government of Selangor, Konsortium Abass Sdn Bhd (“ABASS”) and SYABAS dated 15 February 2005;
- (viii) Novation Agreement between the State Government of Selangor, Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (“SPLASH”) and SYABAS dated 3 February 2005;
- (ix) audited financial statements of SYABAS for the financial year ended 31 December 2013 (“AFS 2013”);
- (x) management report of SYABAS for the financial period ended 30 June 2014; and
- (xi) Verbal representations and discussions with the management of SYABAS.

In addition, we have also reviewed certain information available in the public domain pertaining to the industries and certain public listed companies comparable to SYABAS.

VALUATION LETTERS (Cont'd)

Syarikat Bekalan Air Selangor Sdn. Bhd.
Valuation dated 15 December 2014
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7. Conclusion

Using the DCF method and applying the discount rate of 8.41% and illiquidity discount of 20% to 30%, we are of the opinion that the range of equity value on the 70% equity interest of SYABAS held by PNHB comprising 45,500,000 SYABAS Shares, assuming the RCULS will be fully redeemed, as at 30 June 2014, is as follows:

	RM million
FCFF	3,747
Add: Cash and bank balance at 30 June 2014	936
Less: Value of debts at 30 June 2014	(3,362)*
100% Equity value of SYABAS	1,321
70% Equity value of SYABAS	925
<i>*inclusive value of RCULS of RM198.1 million</i>	
70 % Equity value of SYABAS, after imputing 30% illiquidity discount	648
70 Equity value of SYABAS, after imputing 20% illiquidity discount	740

Hence, the approximate range of value of SYABAS Shares, after adjusting for illiquidity discount, is between RM648 million to RM740 million.

MS wishes to highlight that the Valuation will deviate substantially if there are changes in the following key assumptions:

- i) Collection of full water tariff compensation and reinstatement of the increase in water tariff rate as per CA are not achieved due to the dispute with the current State Government of Selangor.
- ii) Capital expenditure projected to be incurred based on CA is not incurred as the remaining concession period to recoup the capital expenditure is reduced. Consequently, NRW reduction target will not be met if the capital expenditure projected to be incurred based on CA is not incurred.
- iii) BAMTN and RCULS will not able to be restructured to financial years ending 2017 and 2031 respectively for repayment.
- iv) Additional government loan of RM2 billion that to be obtained in financial year ending 2018 is not obtainable.

Yours faithfully,

Moore Stephens Associates

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013

Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)
(Incorporated in Malaysia)

**Financial statements for the year
ended 31 December 2013**

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

Company No. 187511 V

Definitions

Except where the context otherwise requires, the following definitions shall apply throughout the Directors' Report and Audited Financial Statements for the year ended 31 December 2013:

"ATSB"	:	Arena Tekad Sdn. Bhd.
"BAIDS"	:	RM1,020,000,000 10-Year Al-Bai' Bithaman Ajil Islamic Debt Securities Primary Bonds together with Non-Detachable Secondary Bonds
"BLR"	:	Bank Lending Rate
"CCOA"	:	Construction Cum Operation Agreement
"CCRPS"	:	Cumulative Convertible Redeemable Preference Shares
"CIMB"	:	Commerce International Merchant Bankers Berhad
"Company"	:	Puncak Niaga (M) Sdn. Bhd.
"DSRA"	:	Debt Service Reserve Account
"EPF"	:	Employees Provident Fund
"GOM Resources"	:	GOM Resources Sdn. Bhd.
"GWGF"	:	Gabungan Wawasan Generasi Felda Malaysia
"JNA"	:	Junior Notes A
"KDEB"	:	Kumpulan Darul Ehsan Berhad
"MASB"	:	Malaysian Accounting Standards Board
"MCPs"	:	Al-Murabahah Commercial Papers
"MFRS"	:	Malaysian Financial Reporting Standards
"MMTNs"	:	Al-Murabahah Medium Term Notes

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

Company No. 187511 V

Definitions (continued)

"O&M"	:	Operations & Maintenance
"PAAB"	:	Pengurusan Aset Air Berhad
"PCCA"	:	Privatisation Cum Concession Agreement
"PNHB"	:	Puncak Niaga Holdings Berhad
"POG"	:	Puncak Oil & Gas Sdn. Bhd.
"RM"	:	Ringgit Malaysia
"RSBs"	:	RM435,000,000 Nominal Value Ten (10)-Year Redeemable Secured Bonds
"RUBs"	:	RM435,000,000 Nominal Value Ten (10)-Year Redeemable Unsecured Bonds
"RZ Management"	:	RZ Management Services Sdn. Bhd.
"Serba Tiara"	:	Serba Tiara Sdn. Bhd.
"State Government"	:	State Government of Selangor
"SYABAS"	:	Syarikat Bekalan Air Selangor Sdn. Bhd.

Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)

(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 December 2013.

Principal activities

The Company is principally engaged in the operation, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results**RM'000**

Profit for the year attributable to owner of the Company

234,164**Reserves and provisions**

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

Directors who served since the date of the last report are:

Tan Sri Rozali Bin Ismail

Dato' Syed Danial Bin Syed Ariffin

Dato' Nasir Khan Bin Illadad Khan

Ng Wah Tar

Company No. 187511 V

Directors' interests in shares

As the Company is a wholly-owned subsidiary of PNHB, the interest in the shares of the Company and its related corporations of Tan Sri Rozali Bin Ismail, who is also a Director of the holding company, are shown in the Directors' report of the holding company.

None of the other Directors holding office at 31 December 2013 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company, the holding company and related companies or the fixed salaries of full time employees of the Company and related companies) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Company No. 187511 V

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

In the opinion of the Directors, no contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on trade receivables as disclosed in Note 22 to the financial statements, the financial performance of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

4

Company No. 187511 V

Significant events

In addition to significant events disclosed elsewhere in this report, other significant events are disclosed in Note 30 to the financial statements.

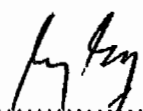
Subsequent events

Subsequent events are disclosed in Note 31 to the financial statements.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:


.....
Tan Sri Rozali Bin Ismail
.....
Dato' Syed Danial Bin Syed Ariffin

Shah Alam,

Date: 28 April 2014

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

Puncak Niaga (M) Sdn. Bhd.

5

(Company No. 187511 V)

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated	1.1.2012 RM'000 Restated
Assets				
Property, plant and equipment	4	243,905	246,211	252,895
Service concession assets	5	15,390	14,802	16,026
Operating financial assets	6	743,771	806,336	884,378
Investment in subsidiaries	7	-	-	-
Debt service reserve account	8	-	191,091	244,116
Trade and other receivables	9	1,841,450	1,415,077	1,015,034
Total non-current assets		2,844,516	2,673,517	2,412,449
Inventories	10	4,699	4,378	7,896
Operating financial assets	6	98,088	92,972	82,224
Trade and other receivables	9	558,001	615,300	699,901
Other current assets	11	4,006	5,450	3,534
Tax recoverable	12	80,173	-	-
Short-term funds		-	-	36
Cash and cash equivalents	13	311,223	190,466	95,739
Total current assets		1,056,190	908,566	889,330
Total assets		3,900,706	3,582,083	3,301,779
Equity				
Share capital		14,800	14,800	14,800
Share premium		43,200	43,200	43,200
Asset revaluation reserve		60,006	60,006	60,006
Retained earnings		1,534,706	1,300,542	1,090,940
Total equity attributable to owner of the Company	14	1,652,712	1,418,548	1,208,946
Liabilities				
Provision for retirement benefits	15	2,052	1,839	2,075
Loans and borrowings	16	1,680,033	1,163,399	1,295,191
Trade and other payables	17	4,897	6,530	8,163
Deferred tax liabilities	18	455,636	240,039	246,008
Total non-current liabilities		2,142,618	1,411,807	1,551,437
Provision for retirement benefits	15	-	304	653
Loans and borrowings	16	11,425	520,956	371,002
Trade and other payables	17	91,014	140,661	143,044
Other current liabilities	11	2,937	2,307	4,755
Tax payable		-	87,500	21,942
Total current liabilities		105,376	751,728	541,396
Total liabilities		2,247,994	2,163,535	2,092,833
Total equity and liabilities		3,900,706	3,582,083	3,301,779

The notes on pages 10 to 74 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)

(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	Note	31.12.2013 RM'000	31.12.2012 RM'000 Restated
Revenue	19	684,411	777,613
Other income		198,583	178,733
		<u>882,994</u>	<u>956,346</u>
Items of expense:			
Raw materials and consumables		(126,360)	(132,351)
Construction contract expenses		(132,646)	(192,235)
Other expenses		(100,161)	(96,864)
Depreciation and amortisation expenses		(14,748)	(14,265)
Employee benefits expense	20	(88,380)	(109,594)
Finance costs	21	<u>(138,611)</u>	<u>(155,952)</u>
Profit before tax	22	282,088	255,085
Income tax expense	24	<u>(47,924)</u>	<u>(45,483)</u>
Profit/Total comprehensive income for the year attributable to the owner of the Company		<u>234,164</u>	<u>209,602</u>

The notes on pages 10 to 74 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)

(Incorporated in Malaysia)

**Statement of changes in equity for the year ended
31 December 2013**

	Note	/-----Non-distributable-----/			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Assets revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2012		14,800	43,200	60,006	1,090,940	1,208,946
Profit/Total comprehensive income for the year (as previously stated)		-	-	-	185,704	185,704
Prior year adjustments	33	-	-	-	23,898	23,898
Profit/Total comprehensive income for the year (restated)		-	-	-	209,602	209,602
At 31 December 2012/ 1 January 2013, restated		14,800	43,200	60,006	1,300,542	1,418,548
Profit/Total comprehensive income for the year		-	-	-	234,164	234,164
At 31 December 2013		14,800	43,200	60,006	1,534,706	1,652,712

The notes on pages 10 to 74 are an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)

(Incorporated in Malaysia)

**Statement of cash flows for the year ended
31 December 2013**

	Note	2013 RM'000	2012 RM'000 Restated
Cash flows from operating activities			
Receipts from customers		468,789	650,382
Other income		1,037	4,364
Payments for operating expenses		(295,792)	(306,636)
Payments to contractors		(113,855)	(217,511)
Net cash generated from operations		60,179	130,599
Tax refunded		-	23,214
Tax paid		-	(7,511)
Interest received		5,739	9,453
Net cash generated from operating activities		65,918	155,755
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,578)	(9,507)
Additions of service concession assets		(1,934)	-
Net advances to subsidiary and related companies		(2,667)	(1,107)
Proceeds from disposal of property, plant and equipment		142	1,638
Net cash used in investing activities		(14,037)	(8,976)
Cash flows from financing activities			
Net advances from holding company		13,059	32,835
Repayment of loans and borrowings		(7,444)	(7,226)
Repayment of obligation under finance leases		(4,771)	(4,310)
Increase in pledged deposits		(132,072)	-
Interest paid		(123,059)	(126,413)
Net cash used in financing activities		(254,287)	(105,114)
Net (decrease)/increase in cash and cash equivalents		(202,406)	41,665
Cash and cash equivalents at beginning of the year		190,334	95,643
Transfer from debt service reserve account		191,091	53,026
Cash and cash equivalents at end of the year	(i)	179,019	190,334

Company No. 187511 V

Statement of cash flows for the year ended 31 December 2013 (continued)

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statement of financial position amounts:

	Note	2013 RM'000	2012 RM'000 Restated
Deposits with licensed banks	13	297,813	145,000
Cash and bank balances	13	13,410	45,466
		<u>311,223</u>	<u>190,466</u>
Less: Pledged deposits	13	(132,204)	(132)
		<u>179,019</u>	<u>190,334</u>

(ii) Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM11,508,000 (2012: RM10,498,000), of which RM1,930,000 (2012: RM991,000), were acquired by means of finance leases.

The notes on pages 10 to 74 are an integral part of these financial statements.

Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)

(Incorporated in Malaysia)

Notes to the financial statements

Puncak Niaga (M) Sdn. Bhd. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

8th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan

Registered office

10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan

The holding company is PNHB, a company incorporated in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the operation, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

The Company is a wholly-owned subsidiary of PNHB which prepares consolidated financial statements available for public use that comply with MFRS and International Financial Reporting Standards. Copies of the consolidated financial statements of PNHB can be obtained at its registered office as well as the principal office at 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan. Accordingly and by virtue of the exemption in paragraph 4(a) of MFRS 10, *Consolidated and Separate Financial Statements*, the Company has not prepared consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 April 2014.

1. Basis of preparation**(a) Statement of compliance**

The financial statements of the Company have been prepared in accordance with MFRSs, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

Company No. 187511 V

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interest in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

Company No. 187511 V

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

The initial application of the abovementioned standards, amendments or interpretation are not expected to have any material impacts to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised costs. The Company has not assessed the impact on the adoption of this standard.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 to the financial statements.

Company No. 187511 V

1. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in RM, which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(i) Material litigations

The Company determines whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including, the opinion of the solicitors. The evidence considered includes any additional evidence provided by events after the reporting date. On the basis of such evidence, the Company evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Company are disclosed in Note 32 to the financial statements.

(ii) Trade receivables

Included in gross trade receivables were an amount of RM2,100,602,000 (2012: RM1,589,467,000) owing from SYABAS. The timing of the recoverability of the amount due from SYABAS is dependent upon the timing of the outcome of the legal proceedings instituted by SYABAS (against the State Government) and whether the judgement is in favour of SYABAS.

Company No. 187511 V

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(ii) Trade receivables (continued)

During the current financial year, the amount due from SYABAS of RM1,753,339,000 (2012: RM1,246,309,000) were reclassified to non-current receivables based on the Company's estimated timeframe of collection and an impairment allowance of RM49,376,000 (2012: RM24,824,000) was recognised in the profit or loss.

The key assumptions in estimating the time frame of collection were:

- (a) The legal proceeding instituted by SYABAS (against the State Government) will be concluded favorably in 2016.
- (b) There will not be any changes in the Company's rights over the concessions.

Any adverse change in the key assumptions above may result in a further impairment loss. The delay of the timing of the legal proceeding by one year would result in additional impairment loss of approximately RM17,000,000.

(iii) Mark-up rate for the construction of concession assets

The right to operate the water treatment plants in exchange for the construction services provided is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is calculated by including certain mark-up, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred. Mark-up rate used in calculating the fair value of the consideration receivable estimated by the Company for the construction projects is 5%.

(iv) Income taxes

The Company recognised a tax recoverable of RM80,172,000 and deferred tax liabilities of RM455,636,000 based on the revised tax submission. Significant judgements and assumptions in measuring the tax recoverable and the deferred tax liabilities were described in Note 12, Note 18 and Note 28 to the financial statements.

Company No. 187511 V

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(v) Amount due from contract customers

Significant estimation is involved in determining the costs to completion of the contract of the Company as at the reporting date, which has bearing on the computation of the stage of completion. The stage of completion requires management to make reasonably dependable estimates of progress towards completion of projects.

These works are subject to final approval by respective customers. There is time lag between the final approval and the completion of work done by the Company. Hence, the actual costs could only be determined reliably on the completion of contracts, this may result in adjustments to the recognised profit of the contracts.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Investment in subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Company No. 187511 V

2. Significant accounting policies (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Company No. 187511 V

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets of the company are categorised as loans and receivables and are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

All financial liabilities of the company are categorised as other financial liabilities and are subsequently measured at amortised cost.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Company No. 187511 V

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost/revaluation less any accumulated depreciation and accumulated impairment losses, if any.

Freehold land, leasehold land and buildings are carried at revaluation less accumulated depreciation on leasehold land and buildings and impairment losses recognised after the date of fair valuation. Valuations are performed once in every 3 years with additional valuations performed when it is exempted that the fair value differs materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Company No. 187511 V

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Company No. 187511 V

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

Buildings	: 50 years
Long-term leasehold land	: over the leasehold period from 82 years to 92 years
Plant and equipment	: 10 years
Office equipment	: 5 years
Furniture and fittings	: 5 years
Motor vehicles	: 5 years
Computers and software	: 3 years
Renovation	: 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Service concession

A substantial portion of the Company's assets are used within the framework of Concession Agreement granted by the State Government ("concession grantor"). The characteristics of the Concession Agreement generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

The Company constructs or upgrades infrastructure used to provide public service and operates and maintains that infrastructure for a specified period of time. The Company recognises and measures revenue in accordance with the accounting policy for construction contract as described in Note 2(f) and Note 2(m)(ii).

The revenue for the construction or upgrade services are measured at fair value and the consideration may be rights to financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

Company No. 187511 V

2. Significant accounting policies (continued)

(e) Service concession (continued)

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor. In this case, the investment amount guaranteed by the concession grantor is recognised under the financial asset model and the residual balance is recognised under the intangible asset model.

Financial assets resulting from service concessions are recorded in the statement of financial position under the heading of "Operating financial assets" and measured at amortised cost using the accounting policies as described in Note 2(c).

Intangible asset resulting from the service concession are recorded in the statement of financial position under the heading of "Service concession assets" and are amortised over the concession period using straight line method less impairment loss, if any.

(f) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers as part of trade and other payables in the statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Company No. 187511 V

2. Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for investment in subsidiary) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Company No. 187511 V

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories and assets arising from construction contracts) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (groups of units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses is credited to profit or loss in the year in which the reversal is recognised.

Company No. 187511 V

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2. Significant accounting policies (continued)

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference shares

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Company participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company make contributions to the EPF in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Company No. 187511 V

2. Significant accounting policies (continued)

(I) Leased assets

(i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

Company No. 187511 V

2. Significant accounting policies (continued)

(m) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Revenue from concession arrangements

Revenue for construction services provided under the concession arrangement for water treatment plants is recognised based on percentage of completion.

When the Company invoices the customer during the operation phase of the concession period, it will apportion the amount to be collected from the invoice between:

- (a) a repayment of the operating financial asset, which will be used to reduce the carrying amount of the operating financial asset on the statement of financial position;
- (b) interest income, which will be recognised as finance income in the profit or loss; and
- (c) revenue from bulk sale of treated water, and operating and maintaining the plants in the profit or loss.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Company No. 187511 V

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

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2. Significant accounting policies (continued)

(o) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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3. Award of concessions

The Company was awarded the following concessions by the State Government:

- (i) under the PCCA dated 22 September 1994, to take over, operate, maintain, manage, rehabilitate and refurbish existing water treatment plants located in Selangor and Federal Territory of Kuala Lumpur from the date of the PCCA to 31 December 2020;
- (ii) under the CCOA dated 22 March 1995, to design, construct, operate, maintain and manage the new water treatment facilities, namely SSP 2 from the date of the CCOA to 31 December 2020; and
- (iii) On 17 January 1998, the Company was given a right by the Federal Government to develop a water treatment plant and its related facilities in Wangsa Maju. The construction work commenced in January 1998 and was completed in July 1998. Subsequent to the completion, the Company has been managing, operating and maintaining the water treatment plant. The Concession Agreement in relation to this water treatment plant for a period of 30 years ending 17 July 2028 was finalised and executed with the State Government on 31 December 2004 ("Wangsa Maju WTP Concession Agreement").

On 31 December 2004, the Company had executed the following agreements in relation to the privatisation of the water supply services in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya:

- (i) Novation Agreement to the PCCA and the CCOA between the State Government, the Company and SYABAS, whereby SYABAS shall assume the State Government's obligations under the PCCA and CCOA in relation to the following, with effect from 1 January 2005:
 - purchase and payment of treated water to the Company;
 - the quality of treated water; and
 - all operational matters relating to such purchase, payment and quality of treated water.

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3. Award of concessions (continued)

- (ii) Novation Agreement to the Wangsa Maju WTP Concession Agreement between the State Government, the Company and SYABAS, whereby SYABAS shall assume the State Government's obligations under the Wangsa Maju WTP Concession Agreement in relation to the following with effect from 1 January 2005:

- purchase and payment of treated water to the Company;
- the quality of treated water; and
- all operational matters relating to such purchase, payment and quality of treated water.

- (iii) Supplemental Agreement (in relation to the PCCA dated 22 September 1994) between the State Government and the Company. The Company agrees to a two percent (2%) reduction in the amounts outstanding and owing to the Company under the PCCA as at 30 June 2004. The Company further agrees to an eight percent (8%) reduction, with effect from 1 July 2004 in the monthly billings to the State Government under the PCCA.

In addition, the Company shall be responsible for the management and operation of the Klang Gates, Tasik Subang and Sungai Langat Dams.

- (iv) Supplemental Agreement (in relation to the CCOA dated 22 March 1995) between the State Government and the Company. The Company agrees to a two percent (2%) reduction in the amounts outstanding and owing to the Company under the CCOA as at 30 June 2004. The Company further agrees to an eight percent (8%) reduction, with effect from 1 July 2004 in the monthly billings to the State Government under the CCOA.

The Company and SYABAS had on 16 August 2007, entered into the following two (2) agreements:

- (i) Sungai Lolo Water Treatment Plant (Extension) O&M Agreement ("Sg Lolo WTP (Extension) O&M Agreement") between the State Government and the Company in relation to the appointment of the Company as the Operator to operate, manage, maintain and refurbish the raw water intake and the extended treatment plant situated on a 0.5 acre piece of land located in the District of Hulu Langat, Selangor Darul Ehsan and associated works as more fully described in Appendix 2 of the Sg Lolo WTP (Extension) O&M Agreement, for a concession period commencing on 1 December 2006 and expiring on 31 December 2034; and

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3. Award of concessions (continued)

- (ii) Novation Agreement to the Sg Lolo WTP (Extension) O&M Agreement between the State Government, the Company and SYABAS ("Novation Agreement") in relation to the assumption of all the State Government's rights, benefits, liabilities and obligations under the Sg Lolo WTP (Extension) O&M Agreement by SYABAS (except on matters relating to land and the maintenance of the raw water quality including matters which are not or are incapable of being exercised by or conferred on SYABAS under the law).

On 7 March 2008, the Company and SYABAS entered into the following two (2) agreements:

- (i) Sungai Sireh Water Treatment Plant O&M Agreement ("Sg Sireh WTP O&M Agreement") between the State Government and the Company in relation to the appointment of the Company as the Operator to operate, manage and maintain the raw water intake and the treatment plant situated on a 6.72 acres piece of land located beside a canal near Sungai Sireh, Tanjung Karang in the District of Kuala Selangor, Selangor Darul Ehsan and associated works pursuant to Clause 3(a)(vi) of the Concession Agreement dated 15 December 2004 between the Federal Government, the State Government and SYABAS, for a concession period of twenty seven (27) years, commencing on 1 April 2007 and expiring on 30 April 2034; and
- (ii) Novation Agreement to the Sg Sireh WTP O&M Agreement between the State Government, the Company and SYABAS in relation to the assumption of all the State Government's rights, benefits, liabilities and obligations under the Sg Sireh WTP O&M Agreement by SYABAS (save and except on matters related to land and the maintenance of the raw water quality including matters which are not or are incapable of being exercised by or conferred on SYABAS under the law).

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4. Property, plant and equipment

<i>Cost/Valuation</i>	Long-term			Computers							Total RM'000
	Buildings RM'000	Freehold land RM'000	leasehold land RM'000	Plant and equipment RM'000	Office equipment and fittings RM'000	Furniture RM'000	Motor vehicles RM'000	software RM'000	Renovation RM'000	Construction in progress RM'000	
At 1 January 2012	30,740	2,800	161,060	19,131	8,276	5,938	40,308	20,735	37,999	8,461	335,448
Additions	279	-	-	7,147	287	44	1,268	850	179	444	10,498
Disposal	-	-	-	-	(17)	-	(4,812)	(57)	-	-	(4,886)
Reclassification	-	-	-	40	(30)	21	-	(6)	(25)	-	-
Write off	-	-	-	(33)	(2,077)	(783)	(302)	(6,285)	-	-	(9,480)
At 31 December 2012/ 1 January 2013	31,019	2,800	161,060	26,285	6,439	5,220	36,462	15,237	38,153	8,905	331,580
Additions	-	-	-	3,861	607	123	2,248	682	11	3,976	11,508
Disposal	-	-	-	-	(21)	(111)	(777)	(540)	-	-	(1,449)
Reclassification	358	-	-	-	171	-	-	3	14	(546)	-
Write off	-	-	-	(12)	(80)	(122)	-	(35)	-	-	(249)
At 31 December 2013	31,377	2,800	161,060	30,134	7,116	5,110	37,933	15,347	38,178	12,335	341,390

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Company No. 187511 V

4. Property, plant and equipment (continued)

	Buildings RM'000	Freehold land RM'000	Long-term leasehold land RM'000	Plant and equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Computers and software RM'000	Renovation in progress RM'000	Construction in progress RM'000	Total RM'000
<i>Depreciation and impairment loss</i>											
At 1 January 2012	-	-	-	10,086	6,584	4,583	12,769	18,235	22,823	-	75,080
Accumulated depreciation	-	-	-	10,086	6,584	4,583	12,769	18,235	22,823	7,473	82,553
Accumulated impairment loss	620	-	1,627	1,386	664	466	3,882	1,443	2,953	-	13,041
Charge for the year	1,455	-	-	-	-	-	-	-	-	-	1,455
Impairment loss	-	-	-	-	(11)	-	(2,435)	(56)	-	-	(2,502)
Disposals	-	-	-	-	(33)	6	-	(6)	(9)	-	-
Reclassification	-	-	-	42	(1,964)	(748)	(166)	(6,285)	-	-	(9,178)
Write off	-	-	-	(15)	-	-	-	-	-	-	-
Accumulated depreciation	620	-	1,627	11,499	5,240	4,307	14,050	13,331	25,767	-	76,441
Accumulated impairment loss	1,455	-	-	-	-	-	-	-	-	7,473	8,928
At 31 December 2012/ 1 January 2013	2,075	-	1,627	11,499	5,240	4,307	14,050	13,331	25,767	7,473	85,369

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4. Property, plant and equipment (continued)

	Freehold		Long-term leasehold		Plant and equipment		Office equipment and fittings		Motor vehicles		Computers and software		Renovation		Construction in progress		Total
	Buildings RM'000	land RM'000	land RM'000	land RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Depreciation and impairment loss (continued)</i>																	
At 1 January 2013	620	-	1,627	11,499	5,240	4,307	14,050	13,331	25,767	-	7,473	-	76,441				
Accumulated depreciation	1,455	-	-	-	-	-	-	-	-	-	-	-	8,928				
Charge for the year	2,075	-	1,627	11,499	5,240	4,307	14,050	13,331	25,767	7,473	-	-	85,369				
Disposals	626	-	1,746	2,061	585	364	3,545	1,507	2,968	-	-	-	13,402				
Write off	-	-	-	-	(20)	(92)	(429)	(530)	-	-	-	-	(1,071)				
Accumulated depreciation	-	-	-	(4)	(68)	(109)	-	(34)	-	-	-	-	(215)				
At 31 December 2013	1,246	-	3,373	13,556	5,737	4,470	17,166	14,274	28,735	-	-	-	88,557				
Accumulated impairment loss	1,455	-	-	-	-	-	-	-	-	-	-	-	8,928				
At 31 December 2013	2,701	-	3,373	13,556	5,737	4,470	17,166	14,274	28,735	7,473	-	-	97,485				

Carrying amount

At 1 January 2012	30,740	2,800	161,060	9,045	1,692	1,355	27,539	2,500	15,176	988	252,895						
At 31 December 2012/1 January 2013	28,944	2,800	159,433	14,786	1,199	913	22,412	1,906	12,386	1,432	246,211						
At 31 December 2013	28,676	2,800	157,687	16,578	1,379	640	20,767	1,073	9,443	4,862	243,905						

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4. Property, plant and equipment (continued)

4.1. Assets pledged as security

Property, plant and equipment of the Company, with a total net carrying amount of RM228,562,000 (2012: RM228,407,000) have been charged as security for borrowings as disclosed in Note 16 to the financial statements.

4.2 Assets held under finance leases

The carrying amount of property, plant and equipment of the Company held under finance leases at 31 December 2013 was RM15,343,000 (2012: RM17,804,000).

4.3 Revaluation of freehold land, leasehold land and buildings

Freehold land, leasehold land and buildings were revalued on 31 December 2011 based on valuations performed by accredited independent valuers. The valuations were based on the comparison method that makes reference to similar properties which were sold.

If the freehold land, leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2013 RM'000	2012 RM'000
Freehold land at 31 December		
- Cost and net carrying amount	<u>2,558</u>	<u>2,558</u>
Leasehold land at 31 December		
- Cost	85,338	85,338
- Accumulated depreciation	<u>(5,861)</u>	<u>(4,950)</u>
Net carrying amount	<u>79,477</u>	<u>80,388</u>
Buildings at 31 December		
- Cost	33,619	33,261
- Accumulated depreciation and impairment loss	<u>(3,051)</u>	<u>(2,645)</u>
Net carrying amount	<u>30,568</u>	<u>30,616</u>
	<u>112,603</u>	<u>113,562</u>

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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5. Service concession assets

	Concession infrastructure RM'000	Initial concession RM'000	Total RM'000
Cost			
At 1 January 2012/ 31 December 2012/ 1 January 2013	27,120	14,848	41,968
Additions	1,934	-	1,934
At 31 December 2013	29,054	14,848	43,902
Accumulated amortisation			
At 1 January 2012	16,486	9,456	25,942
Amortisation charge for the year	625	599	1,224
At 31 December 2012/1 January 2013	17,111	10,055	27,166
Amortisation charge for the year	747	599	1,346
At 31 December 2013	17,858	10,654	28,512
Carrying amount			
At 31 December 2013	11,196	4,194	15,390
At 31 December 2012	10,009	4,793	14,802
At 1 January 2012	10,634	5,392	16,026

Service concession assets represent the Company's rights to supply treated water as detailed in Note 3 to the financial statements. Concession infrastructures have been charged as security for borrowings as disclosed in Note 16 to the financial statements.

6. Operating financial assets

	2013 RM'000	2012 RM'000 Restated
Current	98,088	92,972
Non-current	743,771	806,336
	841,859	899,308

The operating financial asset is recognised as the Company has a contractual right to receive cash or other financial asset from the grantor of the concession (State Government) via SYABAS. SYABAS shall purchase a fixed capacity of treated water and the Company will receive a fixed capacity payment from SYABAS.

The operating financial assets comprise revenue arising from construction of structures, water treatment plants and equipment, reservoirs, dams and distribution pipes for the various concession agreements as disclosed in Note 3 to the financial statements. They have been charged as security for borrowings as disclosed in Note 16 to the financial statements.

The fair value of the construction services is estimated using mark-up rate of 5%.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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7. Investment in subsidiaries

	2013 RM'000	2012 RM'000
Unquoted shares, at cost	-*	-*

* Investment in subsidiaries represents RM102 and was fully impaired.

Details of the subsidiaries, which are incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective ownership interest	
		2013 %	2012 %
Ideal Water Resources Sdn. Bhd.	Ceased operations	100	100
Unggul Raya (M) Sdn. Bhd.	Ceased operations	100	100

8. Debt service reserve account ("DSRA")

Under the terms of agreement for the issue of the RM1,020,000,000 10-Year BAIDS Issuance Facility by the Company, a deposit equivalent to twelve (12) months projected payment obligations under the BAIDS that were outstanding at any point in time was required to be placed in a DSRA. This DSRA was maintained with licensed financial institutions. The Company was not entitled to withdraw any money from the DSRA without prior written consent of the Security Trustee except on condition that the BAIDS were fully redeemed.

As at 31 December 2012, the deposits held in the DSRA was maintained for long-term until the full redemption and expiry of the BAIDS on 27 October 2016 and was yielding interest income at market interest rates.

Upon revision of the terms after the restructuring of BAIDS in the current year, the Company is not required to maintain a DSRA. Hence, the amount had been withdrawn and transferred to the Company's designed operating account (Note 16) during the year.

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9. Trade and other receivables

	Note	2013 RM'000	2012 RM'000 Restated
Current			
Trade			
Amount due from Serba Tiara	9.1	87,850	75,300
Amount due from a related party, SYABAS	9.2	241,912	287,183
Third parties		16,546	24,133
		346,308	386,616
Less: Impairment losses		(6,897)	(3,876)
Trade receivables, net		339,411	382,740
Non-trade			
Other receivables			
Advances and loans to staff		273	230
Amounts due from			
- Subsidiaries	9.3	2,473	2,473
- Holding company	9.3	203,366	216,425
- Related companies	9.3	12,126	9,458
Interest receivable		455	374
Advances to project contractors		2,388	6,391
Sundry receivables		1,366	861
Deposits		3,290	3,495
		225,737	239,707
Less: Impairment losses		(7,147)	(7,147)
		218,590	232,560
		558,001	615,300
Non-current			
Trade			
Amount due from Serba Tiara	9.1	88,111	168,768
Amount due from a related party, SYABAS	9.2	1,753,339	1,246,309
		1,841,450	1,415,077
		2,399,451	2,030,377

The Company's normal credit term granted is 90 days (2012: 90 days). Other credit terms are assessed and approved on a case-by-case basis.

9.1 Amount due from Serba Tiara

Amount due from Serba Tiara is secured, interest-free and is guaranteed by the State Government. The amount had arose from an amount due from the State Government in respect of the supply of bulk quantity of treated water. On 3 February 2005, the State Government entered into a Novation Agreement with Serba Tiara, whereby Serba Tiara assumed and took over the State Government's obligations to pay to the Company RM518,566,000 in ten (10) annual instalments commencing from 2006.

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9. Trade and other receivables (continued)**9.1 Amount due from Serba Tiara (continued)**

As at year end, the outstanding balance is as follows:

	2013 RM'000	2012 RM'000
Trade receivables, gross	179,716	255,016
Less: Impairment allowance	(46,750)	(46,750)
Add: Accretion of interest	42,995	35,803
	<u>175,961</u>	<u>244,069</u>
Current	(87,850)	(75,300)
Non-current	<u>88,111</u>	<u>168,769</u>

9.2 Amount due from a related party, SYABAS

Trade	2013 RM'000	2012 RM'000 Restated
Bulk sales	1,765,975	1,383,166
Late payment interest	334,627	206,301
	<u>2,100,602</u>	<u>1,589,467</u>
Less: Impairment losses	(105,351)	(55,975)
	<u>1,995,251</u>	<u>1,533,492</u>
Non-current	(1,753,339)	(1,246,309)
Current	<u>241,912</u>	<u>287,183</u>

In accordance with the Novation Agreement between the Company, the State Government and SYABAS, SYABAS has a right to pay water treatment operators proportionately when SYABAS does not have sufficient funds. Interest is charged on the late payment of the outstanding amount at BLR + 2% (2012: BLR + 2%). The Company has estimated that amount due from SYABAS will be fully received by end of 2017 depending on the favourable outcome of the litigation taken against the State Government by SYABAS in relation to tariff compensation claims. Hence, the amount of RM1,753,339,000 (2012: RM1,246,309,000) has been classified as non-current.

Additional impairment losses of RM49,376,000 (2012: RM24,824,000) was recognised during the year due to change in the estimated timeframe of collection and dispute in some late payment interest charged by the Company.

9.3 Amounts due from holding company, subsidiaries and related companies

The amounts due from holding company, subsidiaries and related companies are interest free, unsecured and repayable on demand.

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10. Inventories

	2013 RM'000	2012 RM'000
Cost		
Water treatment chemicals	2,590	2,617
Spare parts and equipment	2,109	1,761
	<u>4,699</u>	<u>4,378</u>

During the year, the amount of inventories recognised in the profit or loss of the Company was RM31,392,000 (2012: RM36,920,000) and is included in the "raw materials and consumables" line item.

11. Other current assets/(liabilities)

	Note	2013 RM'000	2012 RM'000
Other current assets			
Amount due from contract customers	11.1	529	2,028
Prepayments		<u>3,477</u>	<u>3,422</u>
		<u>4,006</u>	<u>5,450</u>
Other current liabilities			
Amount due to contract customers	11.1	<u>(2,937)</u>	<u>(2,307)</u>

11.1 Amount due from/(to) contract customers

	2013 RM'000	2012 RM'000
Construction contracts costs incurred to date	954,043	885,457
Attributable profits	<u>21,460</u>	<u>37,989</u>
	975,503	923,446
Less: Progress billings	<u>(977,911)</u>	<u>(923,725)</u>
	<u>(2,408)</u>	<u>(279)</u>
Represented by:		
Amount due from contract customers	529	2,028
Amount due to contract customers	<u>(2,937)</u>	<u>(2,307)</u>
	<u>(2,408)</u>	<u>(279)</u>

12. Tax recoverable

Tax recoverable mainly arose from the revised tax computation submitted by the Company as described in Note 24 and Note 28 to the financial statements.

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13. Cash and cash equivalents

	2013 RM'000	2012 RM'000
Deposits with licensed banks	297,813	145,000
Cash and bank balances	13,410	45,466
	<u>311,223</u>	<u>190,466</u>

Included in cash and cash equivalents are an amount of RM132,204,000 (2012: RM132,000) pledged and assigned as security for borrowings as disclosed in Note 16.

14. Share capital and reserves**14.1 Share capital**

	Amount 2013 RM'000	Number of shares 2013 '000	Amount 2012 RM'000	Number of shares 2012 '000
Authorised				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
CCRPS of RM0.10 each	4,800	4,800	4,800	4,800
	<u>204,800</u>	<u>204,800</u>	<u>204,800</u>	<u>204,800</u>
Issued and fully paid				
Ordinary shares of RM1 each	10,000	10,000	10,000	10,000
CCRPS of RM0.10 each	4,800	4,800	4,800	4,800
At 31 December	<u>14,800</u>	<u>14,800</u>	<u>14,800</u>	<u>14,800</u>

The CCRPS of RM0.10 each, which were issued at an issue price of RM1.00 each, shall be redeemed or converted at any time from the date of issue and allotment i.e. 28 December 1996, until after twenty four (24) months from the said date, or any further period as may be extended by the Company. In the event of redemption, each CCRPS shall be redeemed for RM1.00 per share. In the event of conversion, every ten (10) of the CCRPS shall be converted to one (1) ordinary share of RM1.00 each.

During the financial year ended 31 December 2006, the terms governing the CCRPS had been altered, amongst others, the fixed cumulative preferential dividend of 8% on the issued value of the CCRPS had been changed to a variable rate cumulative preferential dividend to be determined by the Company but subject to a cap of 100% of the issued price of the CCRPS.

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14. Share capital and reserves (continued)

14.2 Share premium

Share premium comprises the premium paid on subscription of shares in the Company and above the par value of the shares.

14.3 Revaluation reserves

The asset revaluation reserves relate to the revaluation of property, plant and equipment.

15. Provision for retirement benefits

The Company operates unfunded Retirement Defined Benefit Schemes (the "Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits of 0.50 up to 1.25 months of their final salary for every year of service with the Company on the attainment of their retirement age of 55 or voluntary retirement age of 50 as at 31 December 2013.

With effect from 1 January 2014, the retirement age and voluntary retirement age have been changed to 60 and 55 respectively.

Movements of provision of retirement benefits are as follows:

	2013 RM'000	2012 RM'000 Restated
At 1 January	2,143	2,728
Add: Provision for the year	251	151
Less: Payment made during the year	(342)	(736)
At 31 December	<u>2,052</u>	<u>2,143</u>
Maturity of provision:		
Not later than 1 year	-	304
Later than 1 year but not later than 2 years	-	312
Later than 2 years	<u>2,052</u>	<u>1,527</u>
	<u>2,052</u>	<u>2,143</u>

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16. Loans and borrowings

	Note	2013 RM'000	2012 RM'000
Current			
Secured:			
Government support loan	16.1	7,667	7,444
BAIDS/MCPs/MMTNs	16.2	-	509,661
Obligation under finance leases	27.3	3,758	3,851
		<u>11,425</u>	<u>520,956</u>
Non-current			
Secured:			
Government support loan	16.1	24,409	32,077
BAIDS/MCPs/MMTNs	16.2	1,016,591	507,330
JNA	16.3	213,091	-
RSBs	16.4	421,845	-
Obligation under finance leases	27.3	4,097	6,818
		<u>1,680,033</u>	<u>546,225</u>
Unsecured:			
JNA	16.3	-	198,872
RSBs	16.4	-	418,302
		<u>-</u>	<u>617,174</u>
		<u>1,680,033</u>	<u>1,163,399</u>
		<u>1,691,458</u>	<u>1,684,355</u>

16.1 Government support loan

The government support loan from the Federal Government in 1998 to finance the construction of the Wangsa Maju Water Treatment Plant and its related facilities. It is secured on all money standing to the credit of the Special Project Account.

The government support loan bears interest at 3% per annum and payable over 13 years from 11 April 2004 after Federal Government restructured the loan.

16.2 BAIDS/MCPs/MMTNs

On 12 October 2000, the Company entered into several agreements with United Overseas Bank (Malaysia) Bhd. and various parties to raise RM1,020,000,000 10-Year BAIDS and RM350,000,000 MCPs/MMTNs Issuance Facility. Subsequently, on 28 October 2000, the Company issued the entire BAIDS and RM120,000,000 of the MCPs, the proceeds of which were utilised mainly to repay in full the Revolving Underwriting Facility of RM800,000,000 and Term Loan of RM300,000,000.

In 2011, the BAIDS were acquired by ACQUA.

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16. Loans and borrowings (continued)**16.2 BAIDS/MCPs/MMTNs (continued)**

On 19 April 2013, the Company had executed the relevant supplemental agreements for the restructuring of the outstanding bonds comprising BAIDS, RSBs and JNA with ACQUA.

Pursuant to the restructuring, the revised terms are as follows:

(i) Extension of the tenure of the BAIDS

Series	Nominal value	Existing Redemption Date	Revised Redemption
	RM'million		Date
Series 1	180.0	27 October 2015	27 October 2016
Series 2	180.0	27 October 2016	27 October 2016
Series 3	180.0	26 April 2013	27 October 2016
Series 4	180.0	26 April 2013	27 October 2016
Series 5	150.0	27 October 2013	27 October 2016
Series 6	150.0	27 October 2014	27 October 2016

(ii) Revision of terms of the BAIDS

Terms	Existing term	Revised term
Coupon	5.30% to 5.60%	5.30% to 5.60%
Collateral	Charge over the DSRA	Legal assignment over the Company's operating account and mandatory redemption account (to be shared via a security sharing arrangement with JNA and RSBs)
Financial covenants	(i) Annual debt service cover ratio	Not required
	(ii) Forward debt service cover	
	(iii) Interest cover ratio	
	(iv) Debt to equity ratio	

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16. Loans and borrowings (continued)**16.2 BAIDS/MCPs/MMTNs (continued)**

The BAIDS entails the following collateral:

- (i) Debenture over all the Company's fixed and floating assets (excluding the charge over Distribution Supply System 2 and Wangsa Maju Water Treatment Plant);
- (ii) Assignment over the Company's PCCA and CCOA;
- (iii) Assignment over the Company's insurances (excluding the insurances in relation to Distribution Supply System 2 and Wangsa Maju Water Treatment plant); and
- (iv) Legal assignment over the Company's operating account and mandatory redemption account (to be shared via security sharing arrangement with JNA and RSBs).

16.3 JNA

	2013 RM'000	2012 RM'000
Nominal value	328,125	328,125
Fair value adjustment on initial recognition	(155,554)	(155,554)
	172,571	172,571
Accreted finance cost	40,520	26,301
	<u>213,091</u>	<u>198,872</u>

The JNA carries a coupon rate of 5.68% per annum and terms of the JNA are set out as follows:

	Nominal value RM'000
Redemption date	
18 November 2016	54,688
20 November 2017	109,375
20 November 2018	109,375
20 November 2019	54,687
	<u>328,125</u>

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16. Loans and borrowings (continued)**16.3 JNA (continued)**

Pursuant to the restructuring mentioned in Note 16.2 to the financial statements, the revised terms for JNA are as follows:

Terms	Existing term	Revised term
Collateral	Unsecured	Legal assignment over the Company's operating account and mandatory redemption account

16.4 Redeemable Secured Bonds ("RSBs") (formerly known as RUBs)

	2013 RM'000	2012 RM'000
Nominal value	435,000	435,000
Less: Yield to maturity	(118,674)	(118,674)
Net proceeds	316,326	316,326
Accreted finance cost	105,519	101,976
	<u>421,845</u>	<u>418,302</u>

The maturity date of the RSBs is 10 years from the issue date in 2006. The RSBs shall bear the following coupon rate payable semi-annually in arrears on the amounts outstanding:

From issue date to year 5	: 5.50% per annum
After year 5 to year 10	: 11.00% per annum

Unless previously redeemed, purchased and cancelled, the RSBs shall be redeemed by the Company at par or at its respective nominal value on the maturity date.

Pursuant to the restructuring mentioned in Note 16.2 to the financial statements, the revised terms for RSBs are as follows:

Terms	Existing term	Revised term
Collateral	Unsecured	Legal assignment over the Company's operating account and mandatory redemption account

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17. Trade and other payables

	Note	2013 RM'000	2012 RM'000
Current			
Trade			
Third parties		4,782	7,270
Amounts due to contractors		29,955	59,155
	17.1	<u>34,737</u>	<u>66,425</u>
Non-trade			
Finance cost payable		15,702	17,887
Accruals		40,575	56,349
		<u>56,277</u>	<u>74,236</u>
		<u>91,014</u>	<u>140,661</u>
Non-current			
Trade			
Long-term payable		4,897	6,530

17.1 Trade payables

These amounts are non-interest bearing. Trade payables normally carry a 30-day (2012: 30-days) credit term.

Included in trade payables are retention sum of RM17,362,000 (2012: RM23,682,000) relating to construction contract in progress.

Retention sum are unsecured, interest-free and are expected to be paid within the terms of construction contracts.

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18. Deferred tax liabilities

The recognised deferred tax (assets) and liabilities (before offsetting) are as follows:

	At 1.1.2012 RM'000	Recognised in profit or loss (before prior year adjustment) RM'000	Prior year adjustment (Note 33) RM'000	At 31.12.2012/ 1.1.2013 restated RM'000	Recognised in profit or loss (Note 24) RM'000	At 31.12.2013 RM'000
Deferred tax (assets)/liabilities						
Property, plant and equipment	13,566	194,886	-	208,452	(30,902)	177,550
Operating financial assets	203,728	(190,676)	-	13,052	1,152	14,204
Loans and borrowings	38,536	(6,223)	-	32,313	(4,689)	27,624
Trade receivable	(5,226)	(11,505)	7,966	(8,765)	467,417	458,652
Other payables	(4,596)	(417)	-	(5,013)	(551)	(5,564)
Unabsorbed capital allowances	-	-	-	-	(24,284)	(24,284)
Unutilised tax losses	-	-	-	-	(49,948)	(49,948)
Unutilised reinvestment allowances	-	-	-	-	(142,598)	(142,598)
	246,008	(13,935)	7,966	240,039	215,597	455,636

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19. Revenue

	2013 RM'000	2012 RM'000
Service concession revenue	565,092	559,912
Construction revenue	119,319	217,701
	<u>684,411</u>	<u>777,613</u>

20. Employee benefits expense

	2013 RM'000	2012 RM'000
Wages, salaries and bonuses	54,702	53,078
Defined contribution plan	8,676	10,099
Defined benefit plan	251	151
Gratuity	-	20,000
Other staff related expenses	24,751	26,266
	<u>88,380</u>	<u>109,594</u>

Included in employee benefits expense of the Company is the Executive Directors' remuneration (excluding benefits-in-kind) amounting to RM10,480,000 (2012: RM32,778,000) as further disclosed in Note 23 to the financial statements.

21. Finance costs

	2013 RM'000	2012 RM'000
Finance cost on Islamic banking borrowings		
BAIDS/MCPs/MMTNs	51,359	58,182
Accreted finance cost on BAIDS/MCPs/MMTNs	783	612
Finance cost on conventional borrowings		
Government support loan	1,017	1,243
JNA	18,586	18,689
RSBs	47,850	47,574
Interest expense on obligation under finance leases	480	725
Others	840	892
Accreted finance cost on JNA/RSBs	17,696	28,035
	<u>138,611</u>	<u>155,952</u>

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22. Profit before tax

	Note	2013 RM'000	2012 RM'000 Restated
Profit before tax is arrived at after charging:			
Amortisation of service concession assets		1,346	1,224
Auditors' remuneration:			
Statutory audit		120	120
Others non-audit services:			
- Current financial year		87	97
- Over provision in prior year		-	(64)
Depreciation of property, plant and equipment		13,402	13,041
Inventories written off		-	2,345
Property, plant and equipments written off		34	302
Impairment loss on property, plant and equipment		-	1,455
Loss on disposal of property, plant and equipment		236	746
Impairment on receivables:			
- Third party (current)		3,021	3,876
- SYABAS (non-current)		49,376	24,824
Indemnity cost	22.1	-	15,000
Operating lease:			
- minimum lease payments on motor vehicle and equipment		1,048	946
- minimum lease payments on buildings		1,094	805
and after crediting:			
Profits earned from deposits		5,819	9,459
Accretion of interest on long-term receivable			
- Third party		7,192	9,977
Finance income from operating financial assets		45,523	47,478
Rental income from land and building		285	267
Late payment interest from SYABAS		128,326	110,309

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22. Profit before tax (continued)**22.1 Indemnity cost**

In the previous financial year, the Company paid a sum amounting to RM15,000,000 to its Executive Chairman, Tan Sri Rozali Bin Ismail, being indemnity for losses suffered by him as the agent of the Company, in defending a legal case brought against him together with two other defendants by a third party arising from termination of an agreement between the Company and the third party for procurement of water related projects ("PNSB Agreement"). The indemnity is in respect of the amount which Tan Sri Rozali Bin Ismail was ordered to pay by the High Court. However, upon appeal to the Court of Appeal, the decision of the High Court was reversed in Tan Sri Rozali Bin Ismail's favour and leave for the third party to appeal to the Federal Court was refused. The total indemnity claimed by Tan Sri Rozali Bin Ismail in connection with this legal suit was RM36,524,000, out of which the Company had paid a sum of RM15,000,000, with the balance sum of RM21,524,000 subsequently waived by Tan Sri Rozali Bin Ismail. Proceedings are presently ongoing to recover the sum paid by Tan Sri Rozali Bin Ismail pursuant to the High Court decision and upon recovery, it shall accrue to the benefit of the Company.

23. Directors' remuneration

	2013 RM'000	2012 RM'000
Executive Directors:		
Wages, salaries and bonuses	7,852	9,399
Defined contribution plan	1,635	2,255
Estimated money value of benefits-in-kind	142	159
Leave passage	290	325
Gratuity	-	20,000
Other staff related expenses	703	799
	<u>10,622</u>	<u>32,937</u>
Total executive directors remuneration excluding benefits-in-kind	<u>10,480</u>	<u>32,778</u>

In the previous financial year, retirement benefits amounted to RM20,000,000 had been paid to the Executive Chairman upon his statutory retirement date on 9 December 2012.

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24. Income tax expense**Recognised in the profit or loss:**

	Note	2013 RM'000	2012 RM'000 Restated
Current tax expense			
- current year		-	87,500
- over provision prior year		(167,673)	(36,048)
Total current tax		(167,673)	51,452
Deferred tax expense			
- origination and reversal of temporary differences		70,751	(15,022)
- relating to reduction in Malaysian income tax rate		(16,037)	-
- under provision prior year		160,883	9,053
Total deferred tax		215,597	(5,969)
Total income tax expense		47,924	45,483

Reconciliation of effective tax expense:

Profit before tax		282,088	255,085
Tax at Malaysian tax rate of 25%		70,522	63,771
Effect on reduction in Malaysian income tax rate		(16,037)	-
Non-deductible expenses		1,755	8,707
Utilisation of current year's tax losses		(1,526)	-
Under provision of deferred tax in prior years	24.1	160,883	9,053
Over provision of current tax expense in prior year	24.1	(167,673)	(36,048)
Tax expense		47,924	45,483

24.1 The over and under provision of current tax expenses and deferred tax expenses in the prior year were mainly related to the revised tax computation submitted to the Inland Revenue Board ("IRB") to take into account of the following tax adjustments:

- i) To claim a deduction under Section 34(2) of the Income Tax Act 1967 ("the Act") in respect of the amount owing from SYABAS for treated water supplied which was not collectible as at end of the basis period for YA2009 to YA2011 respectively; and
- ii) To include as gross income and subject to tax on the bad and doubtful debts claimed as tax deduction under item (i) above which was recovered from SYABAS in the subsequent years of assessment pursuant to Section 30(1) of the Act, i.e. when the payment is received from SYABAS, it will become taxable.

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25. Financial instruments**25.1 Categories of financial instruments**

The table below provides analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R"); and
(b) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/ (FL) RM'000
2013		
Financial assets		
Trade and other receivables	2,399,451	2,399,451
Operating financial assets	841,859	841,859
Cash and cash equivalents	311,223	311,223
	<u>3,552,533</u>	<u>3,552,533</u>
Financial liabilities		
Trade and other payables	(95,911)	(86,428)
Loans and borrowings	<u>(1,691,458)</u>	<u>(1,691,458)</u>
	<u>(1,787,369)</u>	<u>(1,777,886)</u>
2012		
Financial asset		
Trade and other receivables	2,030,377	2,030,377
Operating financial assets	899,308	899,308
Debt service reserve account	191,091	191,091
Cash and cash equivalents	190,466	190,466
	<u>3,311,242</u>	<u>3,311,242</u>
Financial liabilities		
Trade and other payables	(147,191)	(147,191)
Loans and borrowings	<u>(1,684,355)</u>	<u>(1,684,355)</u>
	<u>(1,831,546)</u>	<u>(1,831,546)</u>

25.2 Net gains and losses arising from financial instruments

	2013 RM'000	2012 RM'000
Net gains/(losses) on:		
Trade and other receivables		
- Impairment losses	(52,397)	(28,700)
- Interest income	135,518	120,286
Operating financial assets	45,523	47,478
Cash and cash equivalents		
- Interest income	5,819	9,459
Loans and borrowings	<u>(138,611)</u>	<u>(155,952)</u>
	<u>(4,148)</u>	<u>(7,429)</u>

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25. Financial instruments (continued)

25.3 Financial risk management

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables.

Receivables

Risk management objectives, policies and processes for managing the risk

The Company manages its credit risk by establishing credit controls with the view to ensuring that overdue debts are within an acceptable level. For other financial assets, the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Amount due from SYABAS is expected to be fully received by end of 2017 depending on the favourable outcome of litigation taken against the State Government by SYABAS in relation to tariff compensation claims.

Exposure to credit risk, credit quality and collateral

As at end of the reporting period, approximately 99% (2012: 99%) of the Company's trade receivables are due from 2 major customers, namely SYABAS and Serba Tiara. Except for this, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of the receivables presented in the statement of financial position.

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25. Financial instruments (continued)**25.4 Credit risk (continued)***Impairment losses*

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2013			
Not past due	183,295	-	183,295
Past due 0 - 30 days	56,637	-	56,637
Past due 31 - 154 days	225,363	-	225,363
Past due more than 154 days	1,651,853	(112,248)	1,539,605
	<u>2,117,148</u>	<u>(112,248)</u>	<u>2,004,900</u>
2012			
Not past due	193,996	-	193,996
Past due 0 - 30 days	56,357	-	56,357
Past due 31 - 154 days	223,158	-	223,158
Past due more than 154 days	1,140,089	(59,851)	1,080,238
	<u>1,613,600</u>	<u>(59,851)</u>	<u>1,553,749</u>

	2013 RM'000	2012 RM'000
At 1 January	59,851	31,151
Impairment loss recognised		
- Third parties	3,021	3,876
- Amount due from SYABAS	49,376	24,824
At 31 December	<u>112,248</u>	<u>59,851</u>

As at 31 December 2013, impairment losses arising from amount due from SYABAS were mainly due to change of estimated timing of receipts and disagreement of late payment interest by SYABAS.

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25. Financial instruments (continued)**25.5 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages its liquidity risk by establishing budget with the view to ensuring that sufficient bank balances to meet the obligations. In addition, the Company negotiates with financial institutions to reschedule and/or restructure the existing credit facilities to coincide with the present operating environment.

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying Amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000
2013						
Trade and other payables	95,911	-	95,911	91,014	4,897	-
Loans and borrowings	1,691,458	2.28%-11%	2,213,693	136,188	2,020,059	57,446
	<u>1,787,369</u>		<u>2,309,604</u>	<u>227,202</u>	<u>2,024,956</u>	<u>57,446</u>
2012						
Trade and other payables	147,191	-	147,191	140,661	6,530	-
Loans and borrowings	1,684,355	3%-11%	2,237,782	637,413	1,424,928	175,441
	<u>1,831,546</u>		<u>2,384,973</u>	<u>778,074</u>	<u>1,431,458</u>	<u>175,441</u>

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25. Financial instruments (continued)**25.6 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Company's financial position or cash flows.

25.6.1 Interest rate risk*Risk management objectives, policies and processes for managing the risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company financial instruments will fluctuate because of changes in market interest rates. The Company's variable rate receivables are exposed to a risk of change in cash flows due to changes in interest rates.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2013 RM'000	2012 RM'000
Fixed rate instruments		
Financial assets	297,813	145,000
Financial liabilities	(1,691,458)	(1,684,355)
	<u>(1,393,645)</u>	<u>(1,539,355)</u>
Floating rate instruments		
Financial assets	<u>1,592,328</u>	<u>1,208,010</u>

The Company's income and operating cash flows on fixed interest rate instruments are substantially independent of changes in market interest rates.

Cash flow sensitivity analysis for variable rates instruments

At the reporting date, if interest rates had been 10 basis points higher, with all other variables held constant, the Company's pre-tax profit would have been RM15,923,000 (2012: RM12,080,000) higher.

- 25.6.2** As at 31 December 2013, there were no other market risks that will substantially affect the Company's financial position or cash flows.

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25. Financial instruments (continued)**25.7 Fair values**

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.

	Note	Carrying amount 2013 RM'000	Fair value 2013 RM'00	Carrying amount 2012 RM'000	Fair value 2012 RM'000
Financial assets					
Operating financial assets	6	841,859	700,923	899,308	731,454
Trade and other receivables (Non- current)	9	<u>1,782,197</u>	<u>1,782,197</u>	<u>1,415,077</u>	<u>1,183,234</u>
Financial liabilities					
Loans and borrowings					
- Obligations under finance leases	16	(7,855)	(7,606)	(10,669)	(10,806)
- Government support loan	16.1	(32,076)	(33,614)	(39,521)	(34,638)
- BAIDS/MCPs/MMTNs	16.2	(1,016,591)	(938,705)	(1,016,991)	(807,998)
- JNA	16.3	(213,091)	(294,906)	(198,872)	(165,968)
- RSBs	16.4	<u>(421,845)</u>	<u>(462,775)</u>	<u>(418,302)</u>	<u>(356,616)</u>

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

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26. Related parties

Identity of related parties

For the purposes of the financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding company, subsidiaries, related companies, Directors and key management personnel.

Significant related party transactions

Significant transactions with related parties, other than Directors' remuneration compensation as disclosed in Note 23 to the financial statements, are as follows:

	2013 RM'000	2012 RM'000
A. Immediate holding company		
Advances from PNHB	13,413	32,835
B. Subsidiaries		
Advances to POG	-	1,029
Advances to GOM Resources	-	985
C. Joint venture of the holding company		
Sales of bulk quantity of treated water to SYABAS	701,434	689,588
Late payment interest from SYABAS	128,326	120,558
Storage fees charged to SYABAS	544	436
D. Director related corporation		
Secretarial fees charged by RZ Management	240	240
Donation to GWGF	39	1,282

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26. Related parties (continued)

Related party transactions have been entered into in the course of business under negotiated terms.

Information regarding outstanding balances arising from related party transactions is disclosed in Note 5, Note 9 and Note 17 to the financial statements.

27. Commitments**27.1 Capital commitments**

Capital expenditure as at the reporting date is as follows:

	2013 RM'000	2012 RM'000
Contracts approved and contracted for	<u>33,321</u>	<u>18,017</u>

27.2 Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	2013 RM'000	2012 RM'000
Payable within one year	825	473
Payable between one and five years	<u>406</u>	<u>107</u>
	<u>1,231</u>	<u>580</u>

27.3 Finance lease commitments

	2013 RM'000	2012 RM'000
Minimum lease payments:		
Not later than 1 year	4,098	4,345
Later than 1 year but not later than 2 years	2,646	3,975
Later than 2 years but not later than 5 years	<u>1,673</u>	<u>3,242</u>
	8,417	11,562
Less: Amounts representing finance charges	<u>(562)</u>	<u>(893)</u>
Present value of minimum lease payables	<u>7,855</u>	<u>10,669</u>

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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Company No. 187511 V

27. Commitments (continued)**27.3 Finance lease commitments (continued)**

	2013 RM'000	2012 RM'000
Present value of payments:		
Not later than 1 year	3,758	3,851
Later than 1 year but not later than 2 years	2,505	3,696
Later than 2 years but not later than 5 years	1,592	3,122
Present value of minimum lease payables	7,855	10,669
Less: Amount due within 12 months	(3,758)	(3,851)
Amount due after 12 months (Note 16)	4,097	6,818

28. Contingent liabilities**Tax penalty**

The Company recognised all the invoices issued to SYABAS in its profit or loss for the supply of treated water as revenue.

The Company had appealed to the IRB to revise the tax computations for YA2009 to YA2011 to take into account the following tax adjustments:

- i) To claim a deduction under Section 34(2) of the Income Tax Act 1967 ("the Act") in respect of the amount owing from SYABAS for treated water supplied which was not collectible as at end of the basis period for YA2009 to YA2011 respectively; and
- ii) To include as gross income and subject to tax on the bad and doubtful debts claimed as tax deduction under item (i) above which was recovered from SYABAS in the subsequent years of assessment pursuant to Section 30(1) of the Act, i.e. when the payment is received from SYABAS, it will become taxable.

The Company had fully paid all the tax installments for YA2009, YA2010 and YA2011 and is appealing for tax refund from IRB.

IRB had replied to the Company's petition of appeal on 5 August 2013 wherein IRB had requested the Company to prove that the amount owing by SYABAS is bad debts pursuant to Section 34(2) of the Act. The Company's tax solicitors had replied to IRB and the matter is now awaiting for a case management date.

Company No. 187511 V

28. Contingent liabilities

Tax penalty (continued)

The Company had submitted a RM nil tax payable for YA2012 and estimated the tax payable for YA2013 based on the same approach as the tax appeal above. Nevertheless, deferred tax liabilities have been provided accordingly.

In the event that IRB does not grant approval to the Company to claim a deduction under Section 34(2) of the Act in respect of amount owing from SYABAS for treated water supplied, the Company will be exposed to a potential tax penalty under Section 107C(10) of the Act for YA2012 in respect of late payment of tax. The Company had expressed its awareness on the matter and the final outcome will be based on IRB's decision on the matter.

As at the reporting date, there is a potential tax penalty, pending the outcome of the Company's appeal to IRB.

29. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To adjust the capital structure, the Company does not recommend any dividend for the financial year ended 31 December 2013 with the view to conserve its financial resources.

The Company manages capital using a gearing ratio, which is net debt divided by total capital being the equity attributable to equity holders of the Company plus net debt. The Company includes within net debts, loans and borrowings, trade and other payables less cash and cash equivalents.

At year end, the Company has a net debt of RM1,476,146,000 (2012: RM1,641,080,000) and a total capital of RM3,440,081,000 (2012: RM3,250,094,000) giving rise to a gearing ratio of approximately 43% (2012: 50%).

Company No. 187511 V

30. Significant event

- (a) On 3 January 2013, the completion period for the Company's contract for rural water supply project in the state of Sarawak ("the Contract") for year 2010 to 2012 had been extended from 31 December 2012 to 28 February 2013 under the terms and conditions of the Contract with the Employer. On 27 February 2013, the Company had further extended the completion period for the contract from 28 February 2013 to 28 March 2013 under the terms and conditions of the Contract with the Government of Malaysia. On 29 May 2013, the completion period for the contract has been further extended to 29 June 2013 under the terms and conditions of the contract with the Government of Malaysia.

31. Subsequent events

- (a) On 14 February 2014, the Company signed the Tender Acceptance Letter in relation to the tender offer called by Jabatan Perkhidmatan Pembetungan, Kementerian Tenaga, Teknologi Hijau dan Air for the project, Package D44 – Construction of Sewer Pipe Networks At Bunus, Kuala Lumpur (Design And Build). The contract period is 48 months and the completion date is 24 February 2018.
- (b) On 10 March 2014, the Company received a faxed letter from Lembaga Urus Air Selangor ("LUAS") that in line with the decision of the State Government on 12 February 2014, the water treatment concession companies in Selangor will be allowed to conduct raw water abstraction activities until the expiry of the existing raw water abstraction license on 31 May 2014, following which there will be no renewal of license thereof unless further directive is issued by the State Government.

On 20 March 2014, the Company had filed an application in the Kuala Lumpur High Court for leave to issue Judicial Review proceedings against the decision of LUAS and State Government as notified by LUAS to the Company via a letter dated 7 March 2014 to not renew the Company's raw water extraction licenses beyond 31 May 2014.

Company No. 187511 V

32. Material litigations

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

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

The details of the arbitration are as follows:

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

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

Company No. 187511 V

32. Material litigations (continued)

(a) ADP-PJI Joint Venture ("ADP-PJI JV") (continued)

- (vi) The Company was notified on 1 June 2009 by its solicitors that the latter had been served with ADP-PJI JV's Reply and Defence to Counterclaim dated 28 May 2009 by the solicitors acting for ADP-PJI JV, which in substance joins issue with the Company's Points of Defence and Counterclaim dated 27 April 2009 and reiterates ADP-PJI JV's earlier position vide its Points of Claim dated 25 February 2009.
- (vii) The Company had on 4 November 2010 closed their case and the Arbitrator had directed for written submissions to be filed by ADP-PJI JV and the Company by 29 January 2011 and 1 April 2011 respectively and reply, if any, by 2 May 2011.
- (viii) The Arbitrator had subsequently allowed the Company's solicitors to file in their written submission by 3 May 2011 and correspondingly, ADP-PJI JV's solicitors is required to submit their reply by 3 June 2011.
- (ix) The Respondent's written submission had been filed with the Arbitrator on 3 May 2011.

On 18 February 2013, the Company's solicitors received the Arbitrator's published Final Award dated 31 January 2013 in respect of the arbitration whereby the Arbitrator has, inter alia, decided as follows:

- (i) That the determination of the Claimants' employment under the Contract is unlawful and invalid.
- (ii) That the Respondent shall pay to the Claimants the sum of Ringgit Malaysia Seven Million Nine Hundred And Seventy Thousand Nine Hundred And Five And Sen Eighty Seven (RM7,970,905.87) only ("Award Sum") of which Ringgit Malaysia Three Million Five Hundred And Fifty Two Thousand One Hundred And Seven And Sen Fifty Six (RM3,552,107.56) only and Ringgit Malaysia Three Million Two Hundred And Fifty Eight Thousand And Seventy Five And Sen Seventy Five (RM3,258,075.75) only are payment for certified works and retention monies, respectively.
- (iii) That the Respondent shall also pay interests to the Claimants at the rate of 8% per annum on the Award Sum from 26 December 2007. Such interests will continue to run until the actual realisation of the said payments by the Respondent.
- (iv) That the Respondent shall bear and pay the Claimants' costs in the Arbitration Proceedings upon a party and party basis.
- (v) That the Respondent shall pay and bear the costs of the Award.
- (vi) That all other requests and claims of the Claimants and Respondent are rejected.

Company No. 187511 V

32. Material litigations (continued)

(a) ADP-PJI Joint Venture ("ADP-PJI JV") (continued)

On 19 March 2013, the parties have reached an amicable settlement in respect of the Final Award dated 31 January 2013. The full and final settlement sum of Ringgit Malaysia Ten Million One Hundred And One Thousand And Ninety Five (RM10,101,095) only made by the Company mutually releases and discharges the parties from all obligations and liabilities (including any claims as to interest and costs) arising under and/or in connection with the said Final Award.

(b) SYABAS

Kuala Lumpur High Court Civil Suit No : 22NCC-1336-08/2012

On 30 August 2012, the Company had instituted legal proceedings against SYABAS via the filing of a Writ of Summons and Statement of Claim dated 30 August 2012 at the High Court for amount due for payment as of 30 April 2012 for the supply and purchase of treated water ("Amount Due as of 30 April 2012").

In the Statement of Claim, the Company is claiming the following:-

- i) The Amount Due For Payment of RM1,211,156,583.09 being the unpaid due amount accrued as of 30 April 2012; in the alternative, the Amount Due For Payment of RM1,072,725,761.32 being the unpaid due amount accrued as of 30 April 2012;
- ii) Alternatively, such other sum or sums as may be assessed by the Honourable Court to be due to the Plaintiff from the Defendant as at 30 April 2012;
- iii) Further, all sums arising and due to the Plaintiff from the Defendant under the provisions of the Water Supply Agreements accruing after 30 April 2012 until the date of Judgment;
- iv) Costs;
- v) Interest;
- vi) Such further and alternative reliefs as the Honourable Court deems fit and proper.

Company No. 187511 V

32. Material litigations (continued)

(b) SYABAS (continued)

Kuala Lumpur High Court Civil Suit No : 22NCC-1336-08/2012 (continued)

The solicitors of the Company had on 4 September 2012 served on SYABAS the Writ of Summons and Statement of Claim dated 30 August 2012 for Amount Due as of 30 April 2012.

The High Court has fixed the matter for case management on 21 September 2012.

SYABAS' solicitors had filed a Memorandum of Appearance on behalf of SYABAS on 14 September 2012 and the said Memorandum of Appearance was served on the Company's solicitors on 18 September 2012. At the Case Management of this matter held on 21 September 2012, a further Case Management date of 8 November 2012 was fixed pending SYABAS' filing of its Statement of Defence. SYABAS filed its Statement of Defence on 17 October 2012 and had subsequently filed the Amended Statement of Defence dated 25 October 2012.

On 30 October 2012, in addition to the Defence which was filed by the Defendant on 17 October 2012 as previously announced, the Defendant's Amended Defence dated 25 October 2012 had been served on the Plaintiff's solicitors on 25 October 2012.

On 8 November 2012, the High Court had directed the Plaintiff to file its Reply to the Defendant's Amended Defence dated 25 October 2012 by 22 November 2012. The High Court had also fixed the next case management date on 3 December 2012.

At the case management held on 3 December 2012, the High Court had fixed the matter for further case management on 16 January 2013 and 8 July 2013 and also fixed the trial dates on 15, 16, 17 and 18 July 2013.

The Company had filed an application for discovery of document against SYABAS and the matter is fixed for case management on 27 May 2013.

At the case management held on 27 May 2013, the High Court had fixed the hearing for the Company's application for discovery of documents against SYABAS on 20 June 2013.

At the hearing held on 20 June 2013, the Kuala Lumpur High Court had fixed the Company's application for discovery of documents against SYABAS for decision on 25 June 2013.

At the decision held on 25 June 2013, the Kuala Lumpur High Court had dismissed the Company's application for discovery of documents against SYABAS with costs payable by the Company to SYABAS.

Company No. 187511 V

32. Material litigations (continued)

(b) SYABAS (continued)

Kuala Lumpur High Court Civil Suit No : 22NCC-1336-08/2012 (continued)

At the case management held on 8 July 2013, the Kuala Lumpur High Court had directed the parties to file their respective witness statements on 10 July 2013.

On 15 July 2013, the Kuala Lumpur High Court had vacated the trial dates fixed on 15 July 2013, 16 July 2013, 17 July 2013 and 18 July 2013, and rescheduled the trial to 11 November 2013, 12 November 2013, 13 November 2013 and 14 November 2013. The Kuala Lumpur High Court had also fixed the matter for case management on 17 September 2013.

On 15 July 2013, the Company had filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissing the Company's application for discovery of documents against SYABAS.

On 16 July 2013, the Company's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissing the Company's application for discovery of documents against SYABAS, had been fixed for case management on 20 August 2013.

On 29 July 2013, the Kuala Lumpur High Court had vacated the trial dates fixed on 11 November 2013, 12 November 2013, 13 November 2013 and 14 November 2013, and rescheduled the trial to 25 November 2013, 26 November 2013, 27 November 2013 and 28 November 2013. The case management fixed for the matter on 17 September 2013 remain unchanged.

At the case management held on 20 August 2013, the Kuala Lumpur High Court had fixed the hearing for the Company's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissing the Company's application for discovery of documents against SYABAS, on 21 October 2013.

At the case management held on 17 September 2013, the Kuala Lumpur High Court had fixed the matter for a further case management on 24 October 2013.

The Court of Appeal had at the hearing held on 21 October 2013 for the Company's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissed the Company's application for discovery of documents against SYABAS, adjourned the hearing and fixed the next hearing date on 6 November 2013 pending discussions on settlement by the parties.

At the case management held on 24 October 2013, the Kuala Lumpur High Court had fixed the matter for further case management on 13 November 2013.

Company No. 187511 V

32. Material litigations (continued)

(b) SYABAS (continued)

Kuala Lumpur High Court Civil Suit No : 22NCC-1336-08/2012 (continued)

At the hearing held on 6 November 2013, the Court of Appeal had disallowed the Company's appeal to obtain Discovery of Documents from SYABAS particularly the Management Accounts and the Management Financial Statements for the years 2010-2013.

At the case management held on 13 November 2013, the Kuala Lumpur High Court was informed of the Court of Appeal's decision during the hearing held on 6 November 2013, which dismissed the Company's appeal to obtain Discovery of Documents from SYABAS particularly the Management Accounts and the Management Financial Statements for the year 2010-2013. Further, upon request by the Company's counsel, the Kuala Lumpur High Court had directed that the trial dates fixed on 25 November 2013, 26 November 2013 and 27 November 2013 to be maintained but vacated the trial date on 28 November 2013.

On 25 November 2013, the Suit came up for trial. The Kuala Lumpur High Court ordered, amongst others, as follows:

- i) As of 30 June 2013 an amount of RM1,510,976,059.48 is due and owing by SYABAS to the Company (being the total monthly outstanding sum for the supply in bulk of Treated Water as of 30 June 2013) ("Outstanding Sum");
- ii) Any issues and/or claims arising from the Late Payment Interest under the provisions of the Water Supply Agreements ("Interest Claim") shall be, if not resolved, to be finally and completely resolved by arbitration;
- iii) SYABAS to pay the Outstanding Sum and the Interest Claim (in the event the Arbitral Tribunal ruled in favour of the Company) to the Company in the event SYABAS is in the financial position to make payment to the Company; and
- iv) No order as to costs.

With the Order, the Kuala Lumpur High Court vacated the hearing dates of 26 November 2013 and 27 November 2013.

Company No. 187511 V

32. Material litigations (continued)

(c) Selangor State Government

Kuala Lumpur High Court Originating Summons No. 24NCVC-369-02/2013

The Company had on 18 February 2013 instituted legal proceedings against the Selangor State Government via the filing of the relevant cause papers all dated 18 February 2013 at the High Court in relation to the Operation and Maintenance Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between the Company and the Selangor State Government and the Novation Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between the Company, SYABAS and the Selangor State Government ("the Agreements").

In the Originating Summons and the Notice of Application dated 18 February 2013, the Company is seeking for the following:-

- i) A declaration that the Agreements between the Company and the Selangor State Government dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between the Company, SYABAS and the Selangor State Government are valid and enforceable pursuant to the Water Services Industry Act 2006;
- ii) An order against the Selangor State Government for specific performance of the Agreements;
- iii) that the Selangor State Government whether by its servants, agents or howsoever be restrained from terminating the Operation and Maintenance Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between the Company and the Selangor State Government and the Novation Agreement dated 7 March 2008 in respect of the Sungai Sireh Water Treatment Plant between the Company, SYABAS and the Selangor State Government;
- iv) that the Selangor State Government whether by its servants, agents or howsoever be restrained from handing over howsoever the operations and managements of the Sungai Sireh Water Treatment Plant as defined in the Agreements to Konsortium Air Selangor Bhd or whomsoever;
- v) Costs; and
- vi) Such further or other relief as the Honourable Court deems just and fit.

The solicitors of the Company had on 20 February 2013 served the Sealed Copy of Originating Summons, Sealed Copy of Notice of Application and a copy of the Plaintiff's Affidavit in respect of the Suit on the Selangor State Government.

Company No. 187511 V

32. Material litigations (continued)

(c) Selangor State Government (continued)

Kuala Lumpur High Court Originating Summons No. 24NCVC-369-02/2013
(continued)

The High Court has fixed the matter for hearing on 11 March 2013.

At the hearing held on 11 March 2013, the High Court has directed as follows:-

- i) That Parties are to exhaust the exchange of affidavits by 4 June 2013; and
- ii) The Originating Summons has been fixed for hearing on 4 June 2013.

The hearing date scheduled on 4 June 2013 was rescheduled to a case management by the Kuala Lumpur High Court as the Selangor State Government had filed an application to strike out the Suit by the Company.

At the said case management, the Kuala Lumpur High Court directed the parties to file their respective Written Submissions and Submissions In Reply in respect of the Selangor State Government's said application and scheduled the matter for decision on 10 July 2013.

The Kuala Lumpur High Court had on 9 July 2013 deferred the decision on the Selangor State Government's application to strike out the Suit from 10 July 2013 to 17 July 2013.

On 17 July 2013, the Kuala Lumpur High Court had deferred the decision on the Selangor State Government's application to strike out the Suit from 17 July 2013 to 5 August 2013.

On 5 August 2013, the Kuala Lumpur High Court allowed the Selangor State Government's application to strike out the Suit with costs. The Company will seek its solicitors' advice on the next course of action for the above matter.

The Company had on 30 August 2013 filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the Selangor State Government's application to strike out the Suit with costs.

At the hearing held on 6 November 2013 on the Company's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the Selangor State Government's application to strike out the Suit with costs, the Court of Appeal allowed the Company's appeal with no order as to costs.

Company No. 187511 V

32. Material litigations (continued)

(c) Selangor State Government (continued)

Kuala Lumpur High Court Originating Summons No. 24NCVC-369-02/2013
(continued)

On 10 February 2014, the Selangor State Government had filed an application for leave to the Federal Court to appeal against the decision of the Court of Appeal on 6 November 2013 allowing the Company's appeal against the decision of the Kuala Lumpur High Court on 5 August 2013 allowing the Selangor State Government's application to strike out the Suit with costs.

The Federal Court had scheduled the hearing of the Selangor State Government's application for leave on 2 April 2014.

At the hearing held on 2 April 2014, the Federal Court dismissed the Selangor State Government's application for leave to appeal against the decision of the Court of Appeal on 6 November 2013 with costs of RM10,000.

(d) LUAS and the Selangor State Government

Kuala Lumpur High Court Judicial Review No : R2-25-67-03/2014

On 27 March 2014, the Company obtained Leave from the Kuala Lumpur High Court to bring Judicial Review proceedings against LUAS and the Selangor State Government ("Judicial Review proceedings"). At the case management held on 10 April 2014 in respect of the Judicial Review proceedings the Kuala Lumpur High Court gave directions for the parties to file and exchange affidavits in reply and outline the submissions in respect of both the interim relief and substantive applications.

The application for interim relief was fixed for hearing on 5 May 2014 and the next case management for the substantive application was also fixed on 5 May 2014.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)

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Company No. 187511 V

33. Prior year adjustments

In financial year ended 31 December 2012, additional late payment interest of RM31,866,000 was claimed on the trade amount due from SYABAS but was not recognised in that year. This was arising from the recalculation of late payment interest using a credit term of 30 days as stated in the Concession Agreements instead of 90 days as previously charged by the Company to SYABAS. Consequently, adjustments were put through to account for the additional late payment interests accordingly. The effects are disclosed below:

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
For the year ended 31 December 2012			
Other income	146,867	31,866	178,733
Profit before tax	223,221	31,866	255,085
Tax expense	37,517	7,966	45,483
Profit after tax	185,704	23,898	209,602
As at 31 December 2012			
Non-current assets			
Trade and other receivables	1,383,211	31,866	1,415,077
Non-current liabilities			
Deferred tax liabilities	232,073	7,966	240,039
Equity			
Retained earnings	1,276,644	23,898	1,300,542

Certain comparatives have been reclassified to conform with current year presentation:

	31.12.2012	
	As	As
	restated	previously
	RM'000	reported
	RM'000	RM'000
Statement of cash flows		
Net cash generated from operating activities	155,755	44,161
Net cash used in investing activities	(8,976)	8,981
Net cash used in investing activities	(105,114)	(11,477)

Puncak Niaga (M) Sdn. Bhd.

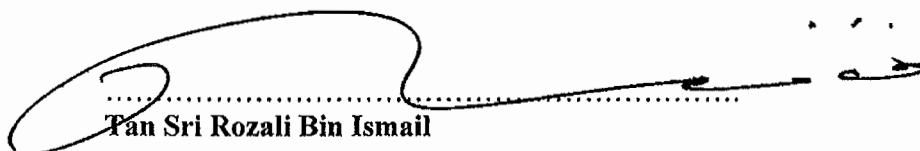
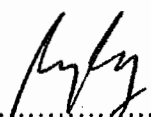
(Company No. 187511 V)

(Incorporated in Malaysia)

**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 5 to 74 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2013 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:


.....
Tan Sri Rozali Bin Ismail
.....
Dato' Syed Danial Bin Syed Ariffin

Shah Alam,

Date: 28 April 2014

Puncak Niaga (M) Sdn. Bhd.

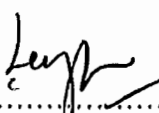
(Company No. 187511 V)

(Incorporated in Malaysia)

**Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965**

I, **Wong Ley Chan**, the officer primarily responsible for the financial management of Puncak Niaga (M) Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 74 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Shah Alam on 28 April 2014.


 XWL C

Wong Ley Chan

Before me:



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 No. 5, Jalan 14/8, Seksyen 14,
 40000 Shah Alam, Selangor Darul Ehsan



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Independent auditors' report to the member of Puncak Niaga (M) Sdn. Bhd.

(Company No. 187511 V)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Puncak Niaga (M) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 74.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)



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Company No. 187511 V

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Comparative Information

Without qualifying our opinion, we draw attention to Note 33 and Note 34 to the financial statements which indicate that the comparative information presented as at and for the year ended 31 December 2012 has been restated.

The financial statements of the Company as at and for the years ended 31 December 2012 and 31 December 2011 (from which the statement of financial position as at 1 January 2012 has been derived), excluding the reclassification and adjustments described in Note 33 and Note 34 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2013.

As part of our audit of the financial statements as at and for the year ended 31 December 2013, we audited the reclassification and adjustments described in Note 33 and Note 34 to the financial statements that were applied to restate the comparative information presented as at and for the year ended 31 December 2012 and the statement of financial position as at 1 January 2012. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2012 or 31 December 2011 (not presented herein) or to the statement of financial position as at 1 January 2012, other than with respect to the reclassification and adjustments described in Note 33 and Note 34 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the reclassification and adjustments described in Note 33 and Note 34 are appropriate and have been properly applied.

AUDITED FINANCIAL STATEMENTS OF PNSB FOR THE FYE 31 DECEMBER 2013 (Cont'd)



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Company No. 187511 V

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758

Chartered Accountants

Petaling Jaya, Malaysia

Date: 28 April 2014

Thong Foo Vung

Approval Number: 2867/08/14(J)

Chartered Accountant

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013

**Syarikat Bekalan Air Selangor
Sdn. Bhd.**

(Company No. 393257 - T)
(Incorporated in Malaysia)

**Directors' Report and Audited Financial Statements
31 December 2013**

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

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AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****DEFINITIONS**

Except where the context otherwise requires, the following definitions shall apply throughout this Directors' Report and Audited Financial Statements for the year ended 31 December 2013:

"ABASS"	:	Konsortium ABASS Sdn Bhd
"BACP"	:	Bai Bithaman Ajil Commercial Papers
"BAMTN"	:	Bai Bithaman Ajil Medium Term Notes
"BIMB"	:	Bank Islam Malaysia Berhad
"BPMB"	:	Bank Pembangunan Malaysia Berhad
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CIMB"	:	Commerce International Merchant Bankers Bhd
"CIMB Bank"	:	CIMB Bank Berhad
"CLMSB"	:	Corporate Line (M) Sdn Bhd
"Company"	:	Syarikat Bekalan Air Selangor Sdn Bhd
"CPMSB"	:	Central Plus (M) Sdn Bhd
"Designated Quantity"	:	minimum volume of treated water to be purchased during the Concession Period
"Distribution Area"	:	the State of Selangor, the Federal Territories of Kuala Lumpur and Putrajaya
"DSRA"	:	Debt Service Reserve Account
"EPF"	:	Employees Provident Fund
"ESOS"	:	Employees' Share Option Scheme
"Federal Government"	:	Government of Malaysia
"IFRS"	:	International Financial Reporting Standards
"MFRS"	:	Malaysian Financial Reporting Standards
"HSBC"	:	HSBC Bank Malaysia Berhad

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

DEFINITIONS (CONTD.)

"JAKS-KDEB"	:	JAKS-KDEB Consortium Sdn Bhd
"KASB"	:	Konsortium Air Selangor Sdn Bhd
"KDEB"	:	Kumpulan Darul Ehsan Berhad
"KeTTHA"	:	Kementerian Tenaga, Teknologi Hijau dan Air
"LPHS"	:	Lembaga Perumahan dan Hartanah Selangor
"MASB"	:	Malaysian Accounting Standards Board
"MOF"	:	Ministry of Finance, Incorporated
"NCCI"	:	Namibian Chamber of Commerce and Industry
"NRW"	:	Non Revenue Water Works
"NBV"	:	Net Book Value
"O&M"	:	Operations & Maintenance
"PCCA"	:	Privatisation Cum Concession Agreement
"PNHB"	:	Puncak Niaga Holdings Berhad
"PNSB"	:	Puncak Niaga (M) Sdn Bhd
"PUAS"	:	Perbadanan Urus Air Selangor Berhad
"RCULS"	:	Redeemable Convertible Unsecured Loan Stocks
"RM"	:	Ringgit Malaysia
"RPS"	:	Redeemable Cumulative Preference Shares
"SCA"	:	Service Concession Arrangement
"SPLASH"	:	Syarikat Pengeluar Air Sungai Selangor Sdn Bhd
"State Government"	:	State Government of Selangor

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****DIRECTORS' REPORT**

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally involved in the supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and other related services, pursuant to the Concession Agreement dated 15 December 2004 entered into between the Company, the Federal Government and the State Government. The Concession Agreement took effect on 1 January 2005.

The principal activity of the subsidiary is disclosed in Note 14 to the financial statements.

There has been no significant change in the nature of the principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss net of tax	<u>(98,012)</u>	<u>(98,002)</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the Note 7 to the financial statements.

DIVIDEND

No dividend has been paid or declared by the Company since the end of previous financial year. The Directors do not propose to declare any dividends in respect of the current financial year.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****DIRECTORS OF THE COMPANY**

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Rozali bin Ismail	
Dato' Ruslan bin Hassan	
Dato' Ir. Lee Miang Koi	
Dato' Syed Danial bin Syed Ariffin	
Suhaimi bin Kamaralzaman	
Abdul Karim bin Endut	
(Alternate Director to Suhaimi bin Kamaralzaman)	
Chan Yit Hwa (f)	
Datuk Yogeesvaran A/L Kumaraguru	
Gho Peng Seng	
Putri Sarah Muna binti Mohd Zefi Ibrahim	
Shah Friedli (f)	(Appointed effective 24 December 2013)
Noorusa'adah binti Othman (f)	(Resigned effective 31 October 2013)

In accordance with Article 63 of the Company's Articles of Association, YBhg Tan Sri Rozali bin Ismail, YBhg Dato' Ruslan bin Hassan and Encik Suhaimi bin Kamaralzaman retire from office by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election as Directors of the Company.

In accordance with Article 68 of the Company's Articles of Association, Cik Putri Sarah Muna binti Mohd Zefi Ibrahim Shah Friedli retires from office at the forthcoming Annual General Meeting and being eligible, offers herself for re-election as Director of the Company.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 9 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and notes in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Direct interests in PNHB				
Tan Sri Rozali bin Ismail	1,729,000	354,000 +	-	2,083,000
Dato' Ir. Lee Miang Koi	10,000	-	-	10,000
Deemed interests in PNHB				
Tan Sri Rozali bin Ismail	167,037,114	80,100,000	(80,100,000)	167,037,114 *
	Number of Warrants			At 31.12.2013
	At 1.1.2013	Bought/Granted	Sold	
Direct interests in PNHB				
Tan Sri Rozali bin Ismail	-	172,900	-	172,900
Tan Sri Rozali bin Ismail	-	35,400 +	-	35,400 +
Dato' Ir. Lee Miang Koi	-	1,000	-	1,000
Deemed interests in PNHB				
Tan Sri Rozali bin Ismail	-	16,703,710 *	-	16,703,710 *

+ Deemed interest by virtue of shares/warrants held in son's name.

* Deemed interest by virtue of 100% equity interest in both CPMSB and CLMSB, the substantial corporate shareholders of PNHB, of which 92.5% is held in his own name and 7.5% is held in his children's names, respectively.

By virtue of their interests in the shares of PNHB, YBhg Tan Sri Rozali bin Ismail and YBhg Dato' Ir. Lee Miang Koi are also deemed interested in the shares of the Company during the financial year to the extent that PNHB has an interest in the Company.

None of the other Directors holding office at 31 December 2013 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**OTHER STATUTORY INFORMATION (CONTD.)**

(d) In the opinion of the Directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 30 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2014.



DATO' RUSLAN BIN HASSAN
Director



CHAN YIT HWA
Director

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **DATO' RUSLAN BIN HASSAN** and **CHAN YIT HWA**, being two of the Directors of **SYARIKAT BEKALAN AIR SELANGOR SDN BHD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 17 April 2014.



DATO' RUSLAN BIN HASSAN
Director



CHAN YIT HWA
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

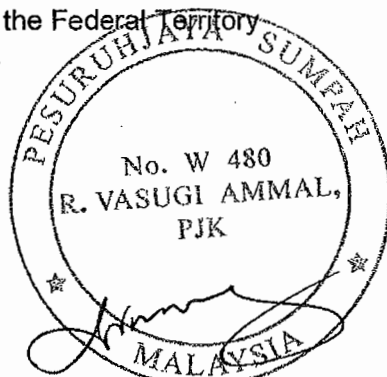
I, **CHAN YIT HWA**, being the Director primarily responsible for the financial management of **SYARIKAT BEKALAN AIR SELANGOR SDN BHD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 138 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **CHAN YIT HWA** at
Kuala Lumpur in the Federal Territory
on 17 April 2014.



CHAN YIT HWA
Director

Before me,



No: 63-2, Tkt. 3,
Jalan Mega Mendung,
Bandar Kompleks,
58200 Kuala Lumpur.

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AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
					Restated
Revenue	6	2,967,348	2,740,840	2,967,348	2,740,840
Other income	7(a)	245,657	201,676	245,657	201,676
Items of expense					
Raw materials, consumables and maintenance expenses		(1,589,461)	(1,571,172)	(1,589,461)	(1,571,172)
Cost of rehabilitation works		(211,913)	(109,690)	(211,913)	(109,690)
Employee benefits expense	8	(194,075)	(180,291)	(194,075)	(180,291)
Other expenses	7(b)	(298,971)	(250,489)	(298,961)	(250,478)
Depreciation and amortisation expenses	7(b)	(247,096)	(213,526)	(247,096)	(213,526)
		671,489	617,348	671,499	617,359
Finance costs	10	(762,449)	(632,705)	(762,449)	(632,705)
Loss before tax	7	(90,960)	(15,357)	(90,950)	(15,346)
Income tax expense	11	(7,052)	8,298	(7,052)	8,298
Loss net of tax		(98,012)	(7,059)	(98,002)	(7,048)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013		2012		Company 2013		2012	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Restated
Loss net of tax		(98,012)	(7,059)			(98,002)			(7,048)
Other comprehensive (expense)/income, net of tax:									
Item that will not be reclassified subsequently to profit or loss									
Actuarial losses on defined benefit plan		(1,502)	(1,039)			(1,502)			(1,039)
Item that is or may be reclassified subsequently to profit or loss									
Fair value gain/(loss) on available-for-sale investment	17	309	(219)			309			(219)
Other comprehensive expense, net of tax		(1,193)	(1,258)			(1,193)			(1,258)
Total comprehensive expense for the year, net of tax		(99,205)	(8,317)			(99,195)			(8,306)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

Note	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
			Restated	Restated
NON-CURRENT ASSETS				
Property, plant and equipment	12	38,673	42,353	40,158
Service concession assets	13	7,751,947	7,714,818	7,742,724
Investment in a subsidiary	14	-	-	-
DSRA	15	104,750	64,732	62,775
Trade and other receivables	18	3,095,785	2,151,214	1,235,792
Deferred tax assets	16	604,937	607,593	598,948
		<u>11,596,092</u>	<u>10,580,710</u>	<u>9,680,397</u>
CURRENT ASSETS				
Available-for-sale investment	17	-	9,190	9,409
Trade and other receivables	18	273,712	251,511	240,346
Prepayments		4,254	4,255	1,460
Deposits, cash and bank balances	19	1,024,640	934,502	845,743
		<u>1,302,606</u>	<u>1,199,458</u>	<u>1,096,958</u>
Total assets		<u>12,898,698</u>	<u>11,780,168</u>	<u>10,777,355</u>
EQUITY AND LIABILITIES				
Share capital	20	65,000	65,000	65,000
RCULS	21(c)	94,839	94,839	94,839
Accumulated losses		(2,201,707)	(2,101,692)	(2,097,953)
Available-for-sale reserve		-	(810)	(591)
Total equity		<u>(2,041,868)</u>	<u>(1,942,663)</u>	<u>(1,930,618)</u>
		<u>12,898,698</u>	<u>11,779,514</u>	<u>10,777,355</u>

* Denotes RM2

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
 STATEMENTS OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2013 (CONTD.)

	Note	Group		Company	
		2013	2012	2012	2011
		RM'000	RM'000	RM'000	RM'000
				Restated	Restated
NON-CURRENT LIABILITIES					
Loans and borrowings	21	3,570,925	3,651,409	3,651,409	3,892,622
Government grant	22	368,554	307,284	307,284	285,933
Trade and other payables	23	4,200,076	3,028,044	3,028,044	1,978,577
Service concession obligations	13	4,119,939	4,420,540	4,420,540	4,658,402
Retirement benefit obligations	24	26,952	23,332	23,332	18,400
		12,286,446	11,430,609	11,430,609	10,833,934
CURRENT LIABILITIES					
Loans and borrowings	21	512,685	309,555	309,555	990
Trade and other payables	23	1,619,473	1,489,722	1,485,329	1,410,728
Service concession obligations	13	521,962	492,925	492,925	460,690
Retirement benefit obligations	24	-	20	20	1,631
		2,654,120	2,292,222	2,287,829	1,874,039
Total liabilities		14,940,566	13,722,831	13,718,438	12,707,973
Total equity and liabilities		12,898,698	11,780,168	11,779,514	10,777,355

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Non-distributable				Available- for-sale reserve RM'000	Accumulated losses RM'000
	Total equity RM'000	Share capital (Note 20) RM'000	RCULS (Note 21(c)) RM'000			
As at 1 January 2013	(1,942,663)	65,000	94,839	(810)	(2,101,692)	
Total loss for the year, net of tax	(98,012)	-	-	-	(98,012)	
Actuarial losses on defined benefit plan	(1,502)	-	-	-	(1,502)	
Fair value gain on available-for-sale investment	309	-	-	810	(501)	
Total other comprehensive expense for the year, net of tax	(1,193)	-	-	810	(2,003)	
Total comprehensive expense for the year	(99,205)	-	-	810	(100,015)	
As at 31 December 2013	(2,041,868)	65,000	94,839	-	(2,201,707)	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Non-distributable				Accumulated losses RM'000
	Total equity RM'000	Share capital (Note 20) RM'000	RCULS (Note 21(c)) RM'000	Available- for-sale reserve RM'000	
As at 1 January 2012	(1,934,346)	65,000	94,839	(591)	(2,093,594)
Total loss for the year, net of tax	(7,059)	-	-	-	(7,059)
Actuarial losses on defined benefit plan	(1,039)	-	-	-	(1,039)
Fair value loss on available-for-sale investment	(219)	-	-	(219)	-
Total other comprehensive expense for the year, net of tax	(1,258)	-	-	(219)	(1,039)
Total comprehensive expense for the year	(8,317)	-	-	(219)	(8,098)
As at 31 December 2012	(1,942,663)	65,000	94,839	(810)	(2,101,692)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
 STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Note	Non-distributable			
		Total equity RM'000	Share capital (Note 20) RM'000	RCULS (Note 21(c)) RM'000	Available- for-sale reserve RM'000
As at 1 January 2013		(1,938,924)	65,000	94,839	(810)
Total loss for the year, net of tax		(98,002)	-	-	-
Actuarial losses on defined benefit plan		(1,502)	-	-	-
Fair value gain on available-for-sale investment		309	-	-	810
Total other comprehensive expense for the year, net of tax		(1,193)	-	-	810
Total comprehensive expense for the year		(99,195)	-	-	810
As at 31 December 2013		(2,038,119)	65,000	94,839	-
					(2,197,958)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Note	Non-distributable				Available- for-sale reserve RM'000	Accumulated losses RM'000
		Total equity RM'000	Share capital (Note 20) RM'000	RCULS (Note 21(c)) RM'000			
As at 1 January 2012, as previously stated		(1,875,114)	65,000	94,839	(591)	(2,034,362)	
Prior year adjustment:							
Under provision of deferred tax liabilities	34	(55,504)	-	-	-	(55,504)	
As at 1 January 2012, as restated		(1,930,618)	65,000	94,839	(591)	(2,089,866)	
Total loss for the year, net of tax		(7,048)	-	-	-	(7,048)	
Actuarial losses on defined benefit plan		(1,039)	-	-	-	(1,039)	
Fair value loss on available-for-sale investment		(219)	-	-	(219)	-	
Total other comprehensive expense for the year, net of tax		(1,258)	-	-	(219)	(1,039)	
Total comprehensive expense for the year		(8,306)	-	-	(219)	(8,087)	
As at 31 December 2012, as restated		(1,938,924)	65,000	94,839	(810)	(2,097,953)	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES					
Receipts from customers		1,658,253	1,590,406	1,658,253	1,590,406
Other income		77,913	71,574	77,913	71,574
Payments to water treatment operators		(804,297)	(782,093)	(804,297)	(782,093)
Payments for service concession obligations		(240,430)	(215,420)	(240,430)	(215,420)
Payments for operating expenses		(355,068)	(372,885)	(355,057)	(372,876)
Net cash generated from operations		336,371	291,582	336,382	291,591
Net deposits received		28,645	24,991	28,645	24,991
Tax paid		(3,895)	-	(3,895)	-
Net cash inflow from operating activities		24,750	24,991	24,750	24,991
		361,121	316,573	361,132	316,582
INVESTING ACTIVITIES					
Purchase of unquoted investments		(20,000)	-	(20,000)	-
Proceeds from sale of unquoted investments		29,499	-	29,499	-
Additions of service concession assets		(254,035)	(155,606)	(254,035)	(155,606)
Purchase of property, plant and equipment		(6,073)	(6,174)	(6,073)	(6,174)
Interest received		34,160	32,932	34,160	32,932
Net cash outflow from investing activities		(216,449)	(128,848)	(216,449)	(128,848)

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AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTD.)

	Note	Group		Company	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
FINANCING ACTIVITIES					
Proceeds from drawdown of government loan		138,903	58,046	138,903	58,046
Repayment of obligation under finance lease		(654)	(995)	(654)	(995)
Receipt from/(Payment to) related parties		242	(1,251)	121	(1,191)
Interest paid		(153,007)	(153,144)	(153,007)	(153,144)
Net cash outflow from financing activities		(14,516)	(97,344)	(14,637)	(97,284)
NET CHANGE IN CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		130,156	90,381	130,046	90,450
Deposits from water account holders	19	934,502	846,078	934,236	845,743
Restricted bank balances	19	(254,253)	(214,405)	(254,253)	(214,405)
Transfer to DSRA	15	(161,594)	(60,430)	(161,594)	(60,430)
		(40,018)	(1,957)	(40,018)	(1,957)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		608,793	659,667	608,417	659,401
Cash and cash equivalents comprise:					
Deposits with licensed banks	19	996,419	895,214	996,419	895,214
Less: Deposits from water account holders	19	(251,900)	(212,000)	(251,900)	(212,000)
Less: Restricted deposit balances	19	(159,628)	(59,506)	(159,628)	(59,506)
		584,891	623,708	584,891	623,708
Cash and bank balances	19	28,221	39,288	27,845	39,022
Less: Deposits from water account holders	19	(2,353)	(2,405)	(2,353)	(2,405)
Less: Restricted bank balances	19	(1,966)	(924)	(1,966)	(924)
		23,902	35,959	23,526	35,693
		608,793	659,667	608,417	659,401

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013****1. CORPORATE INFORMATION**

The Company is principally involved in the supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and other related services, pursuant to the Concession Agreement dated 15 December 2004 entered into between the Company, the Federal Government and the State Government. The Concession Agreement took effect on 1 January 2005.

The principal activity of the subsidiary is disclosed in Note 14.

There has been no significant change in the nature of the principal activities during the financial year.

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The principal place of business and registered office of the Group and the Company is as follows:

Level 4, SYABAS Head Office
Jalan Pantai Baru
59200 Kuala Lumpur

2. BASIS OF PREPARATION**2.1 Statement of compliance**

The financial statements of the Group and the Company have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in RM, which is also the functional currency of the Company. All values are rounded to the nearest thousand (RM'000) except as otherwise indicated.

During the year, the Directors of PNHB assessed that PNHB does not have control over the Company upon adoption of MFRS 10. Hence, PNHB is no longer the holding company of SYABAS and the transactions between the Company and PNHB are considered as related party transactions.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

2. BASIS OF PREPARATION (CONTD.)

2.2 Standards issued but not yet effective

The following are standards, amendments and interpretations that have been issued by the MASB but have not been adopted by the Group:

Description	Effective for annual periods beginning on
Amendments to MFRS 10, <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127, <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132, <i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136, <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139, <i>Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21, <i>Levies</i>	1 January 2014
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 2, <i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 119, <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 138, <i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 140, <i>Investment Properties (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

2. BASIS OF PREPARATION (CONTD.)

2.2 Standards issued but not yet effective (contd.)

Description	Effective for annual periods beginning on
MFRS 9, <i>Financial Instruments</i> (2009)	To be confirmed
MFRS 9, <i>Financial Instruments</i> (2010)	To be confirmed
MFRS 9, <i>Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139</i>	To be confirmed
Amendments to MFRS 7, <i>Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>	To be confirmed

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- (a) from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for Amendments to IC Interpretation 21 which are not applicable to the Group and the Company.
- (b) from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 except for Amendments to MFRS 2, 3, 8, and 140 which are not applicable to the Group and the Company.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. The Group and the Company have not assessed the impact on the adoption of this standard.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

(a) Subsidiary

A subsidiary is an entity controlled by the Company. The financial statements of the subsidiary is included in the consolidated financial statements from the date that controls commences until the date that control ceases.

In the previous years as the Company was a subsidiary of PNHB, the Company applied the exemption from preparing a consolidated financial statements pursuant to paragraph 10 of MFRS 127. During the year, the Directors of PNHB assessed that PNHB does not have control over the Company on adoption of MFRS 10 and instead classified the Company as a joint venture. Accordingly, the Company presented consolidated financial statements during the year.

The Group adopted MFRS 10 in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investment in subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3.1 Basis of consolidation (contd.)****(c) Business combinations**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(d) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.2 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and to the Company and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment, are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criterias are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Tools and equipment	20%
Office equipment	20%
Furniture and fittings	20%
Motor vehicles	20%
Electronic equipment	20 to 33 1/3%
Renovation	14 2/7 to 33 1/3%
Signage	10 to 20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation methods, useful lives and residual values are reviewed at end of reporting period and adjusted as appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Service Concession Assets and Obligations

The Group and the Company account for its SCA with the State Government and Federal Government under the Intangible Asset model as it receives the right (license) to charge users of public service. Under the concession agreements, the Group and the Company is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services. The legal title to these assets shall remain with the State Government and Federal Government at the end of the concession period.

Service concession assets are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The cost of service concession assets is determined by capitalising the fair value of the service concession obligations and revenue on construction services related to the rehabilitation works performed by the Company.

The Company amortises its service concession assets contained in the concession arrangement by reference to revenue method over the concession period as follows:

<u>Actual water revenue for the year</u>	X	Accumulated cost of service
Actual water revenue for the year +		concession assets at
Projected total water revenue for the		beginning of the year +
subsequent years to the end of the concession		Additions for the year

The Group and the Company subsequently measures the service concession obligations at amortised costs using the effective interests method as disclosed in Note 3.10.

3.4 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the categories of their financial assets at initial recognition, as follows:

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3.4 Financial assets (contd.)****(a) Loans and receivables (contd.)**

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

The Group and the Company do not have any financial assets designated as financial assets at fair value through profit or loss nor held to maturity investments.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.5 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.5 Impairment of financial assets (contd.)

(b) Available-for-sale financial assets (contd.)

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3.6 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****3.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of pledged deposits and deposits from account holders.

3.8 Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.9 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met.

Grants that compensate the Group and the Company for the cost of the service concession are recognised as income on a systematic basis over the useful life of asset, using the unit of water revenue method as disclosed in Note 3.3.

3.10 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****3.10 Financial liabilities (contd.)**

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.11 Leases**(a) As lessee**

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3.12 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.13 Compound Instruments

The RCULS are regarded as compound instruments, consisting of a liability component and an equity component.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

3.14 Employee benefits**(a) Defined contribution plans**

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group and the Company make contributions to the EPF in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

As a result of MFRS 119 (2011), the Group and the Company have changed their accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

The Group's and the Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3.14 Employee benefits (contd.)****(b) Defined benefit plans (contd.)**

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group and the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effects of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group and the Company determine the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group and the Company determined interest income on plan assets based on their long-term rate of expected return.

(c) Short-term employee benefit

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

3.15 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

(a) Supply and distribution of treated water to consumers

Water revenue is recognised when the related water is rendered. Water consumed is billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at the end of the month are estimated and accrued. These estimates are based on historical consumption of the customers.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****3.15 Revenue (contd.)****(b) Rehabilitation works and construction revenue**

Rehabilitation works and construction revenue include the initial amount agreed in the contract plus any variations in contract works, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion of contract costs incurred to work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(c) Interest income

Interest income is recognised using the effective interest method.

3.16 Raw materials, consumables and maintenance expenses

Raw materials, consumables and maintenance expenses represent costs incurred in the distribution of treated water and maintenance works. These costs are recognised as an expense in the profit or loss in the year in which the expenses are incurred.

3.17 Income taxes**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.17 Income taxes (contd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset of a liability in transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**3.17 Income taxes (contd.)****(b) Deferred tax (contd.)**

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.18 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and the Company.

Contingent liabilities and assets are not recognised in the statement of financial position of the Group and the Company.

3.20 Fair value measurements

From 1 January 2013, the Group adopted MFRS 13 which prescribed that the fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.20 Fair value measurements (contd.)

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's and the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty and critical judgements at the reporting date, that have significant effect on the amounts recognised in the financial statements are discussed below:

(a) SCA

In applying IC 12, the Group and the Company have made a judgment that the Concession Agreement as discussed in Note 5, qualifies under the Intangible Asset model.

Under the Intangible Asset model, the fair value of rehabilitation works performed by the Group and the Company and the fair value of service concession obligations arising from fee payable and fixed capacity charges payable to water treatment operators were recognised as intangible assets. The intangible assets are amortised using the revenue method over the life of the concession agreement.

Revenue recognition policy from rehabilitation works is stated in Note 3.15(b).

Construction or upgrade services in compliance with the Concession Agreement is recognised at the fair value of the consideration receivable for the construction services delivered. The fair value of the consideration receivable for the construction services delivered is judgmental and calculated by including certain mark-up for external consultants and in-house projects, estimated to reflect a margin consistent with other similar construction work where possible, on the actual costs incurred.

The Group and the Company amortise their service concession assets as set out in Note 3.3 to the financial statements. The projection on water revenue for the subsequent years to the end of the concession are reviewed at each financial year end. The review is based on factors such as population growth and future average tariff rate. It is possible that the future amortisation on intangible assets could be significantly affected by changes in this estimate.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTD.)

(b) Water tariff compensation

Pursuant to the Concession Agreement dated 15 December 2004, and as disclosed in Note 6, the Group and the Company are entitled to impose a second water tariff review effective from 1 January 2009 and a third water tariff review effective from 1 January 2012 based on a formula contained in the Concession Agreement. The revised water tariff rates were submitted by the Company to the State Government for gazettment on 31 March 2008 and 23 May 2011 respectively but as at the reporting date, the State Government has not gazetted the revised rates. The Directors, in consultation with their solicitors, are of the opinion that the Group or the Company are entitled to water tariff compensations as provided in the concession agreement of RM3,404,375,000 as at 31 December 2013 (2012: RM2,334,993,000).

(c) Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying value of deferred tax assets recognised in respect of unused tax losses of the Group and of the Company as at year end was RM625,738,000 (2012: RM635,825,000).

(d) Recoverability and impairment allowance of trade receivables

The Group and the Company evaluate the collectability of trade receivables and records impairment losses based on historical collection pattern. The impairment is based on, amongst other things, comparisons of the relative age of accounts and consideration of actual write-off history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively. As at 31 December 2013, the Group's and the Company's gross trade receivables were RM3,651,648,000 (2012: RM2,569,652,000) and the allowance for impairment was RM313,415,000 (2012: RM186,978,000).

Included in trade receivables is RM3,404,375,000 (2012: RM2,334,993,000) being the water tariff compensation owing from the State Government for the years 2009, 2010, 2011, 2012 and 2013 cumulatively. As disclosed in Note 32(c), on 8 September 2011, SYABAS filed a Writ and Statement of Claim at the Kuala Lumpur High Court for RM1,054,208,000 being compensation from 1 January 2009 to 31 March 2011. The Directors in assessing the recoverability of this receivables and in consultation with their solicitors, are of the opinion that that their case is substantiated by evidence and has merit and hence the amount should be recoverable from the State Government.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTD.)

(d) Recoverability and impairment allowance of trade receivables (contd.)

The tariff compensation receivable from the State Government has been discounted using a 3% government's securities rate and estimated recoverability timeframe of four (4) years from the reporting date after the conclusion of the litigation process as disclosed in Note 32(c). An impairment of RM308,590,000 (2012: RM183,779,000) has been provided for on these basis. Should the judgment on the litigation be delayed by one (1) year, additional impairment loss of RM90 million will need to be provided for. The recoverability of the tariff compensation is contingent upon the favourable outcome of the litigation claimed against the State Government.

The outcome of the legal proceeding, if unfavourable, will have a significant impact to the financial statements. The amount due from the State Government – tariff compensation, the service concession assets and property, plant and equipment may need to be impaired. Deferred tax assets may need to be reversed and the Group and the Company may not have sufficient cash flows to fulfil their obligations.

(e) Government grants

Government grants are recognised as income to compensate the Group and the Company for the cost of an asset over the useful life of the asset. The assets to which the grant relate to are amortised over concession period using the unit of water revenue method as disclosed in Note 3.3. Similarly, the grant is amortised over the same basis to compensate the Group and the Company for the expenses incurred.

Due to the long remaining concession period, there is uncertainties over the revenue projection. The Group and the Company do not expect a significant risk of changes in the projected water revenue which may cause a material adjustment to the amortisation of government grant in the future financial periods.

(f) Material litigations

The Group and the Company determine whether a present obligation in relation to a material litigation exists at the reporting date by taking into account all available evidence, including, the opinion of the solicitors. The evidence considered includes any additional evidence provided by events after the reporting date. On the basis of such evidence, the Group and the Company evaluate if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group and the Company are disclosed in Note 32.

(g) Fair value of government loans

Government loans are fair valued using market interest rate at 6.8%. The difference between the fair value of the loan on initial recognition and the amount received is accounted for as government grant.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTD.)**(h) Repayment of trade payables**

The Group and the Company have the unconditional rights to defer payments of their Water Treatment Operators ("WTO") based on the Court of Appeal's judgement which upheld the Company's rights to repay the WTO proportionately (see Note 32(b)). The Group and the Company determine the repayment of their trade payables based on their projected cash flow as disclosed in Note 23(b).

5. AWARD OF CONCESSIONS

On 15 December 2004, the Company executed a Concession Agreement with the Federal Government and the State Government in relation to the privatisation of the water supply services in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The Company is granted the right and authority by the Federal Government and the State Government to undertake the following ("the Privatisation"):

- (i) the supply and distribution of treated water to consumers in the Distribution Area;
- (ii) the purchase of treated water from the three (3) water treatment operators, namely PNSB, SPLASH and ABASS;
- (iii) the taking over, upgrading, management, maintenance and protection of all water supply facilities within the Distribution Area;
- (iv) the design, construction and completion of new water supply facilities works and the operation, maintenance and protection of the same; and
- (v) the right to demand, collect and retain tariff for the supply and distribution of treated water and charges for the sale, rental or installation of water supply facilities, as gazetted by the Federal Government or the State Government.

This Concession Agreement took effect on 1 January 2005 for a period of thirty (30) years ending 31 December 2034.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

6. REVENUE

	Group and Company	
	2013 RM'000	2012 RM'000
Supply and distribution of treated water to consumers (Note 6(a))	1,670,850	1,597,789
Water tariff compensation (Note 6(b))	1,069,382	1,023,941
Construction revenue (Note 6(c))	227,116	119,110
	<u>2,967,348</u>	<u>2,740,840</u>

(a) Supply and distribution of treated water to consumers

The amount relates to the supply and distribution of treated water to consumers in the Distribution Area by the Company.

(b) Water tariff compensation

The amount is determined by the Directors based on the terms of the Concession Agreement signed between the Company, the Federal Government and the State Government as disclosed in Note 4(b).

The claim for water tariff compensation had been included as amount owing by the State Government under trade receivables as at 31 December 2013.

(c) Construction revenue

Construction revenue relates to revenue recognised in accordance with MFRS 111 in respect of construction and upgrade services under the concession arrangements. Construction revenue is recognised based on the percentage of completion method during the construction phase.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

7. LOSS BEFORE TAX

The following items are included in arriving at loss before tax:

(a) Other income

The following are included in other income:

	Group and Company	
	2013	2012
	RM'000	RM'000
Income from liquidated ascertained damages from contractors	(738)	(2)
Interest income	(35,232)	(32,618)
Amortisation of deferred government grant (Note 22(a),(b),(c),(d),(e) and (f))	(8,775)	(12,026)
Accretion of interest on long term receivable (Note 18(c))	(59,158)	(37,074)
Rental income	(22)	(19)
Gain on disposal of property, plant and equipment	(10)	-
Income from property developers (Note 7(a)(i))	(57,073)	(54,714)
Gain on re-estimation on payment of trade payables and late payment interest (Note 7(a)(ii))	(64,681)	(48,667)
Disconnection/ Reconnection charges	(9,822)	(8,277)

- (i) Income from property developers represents contributions by developers towards upgrading of the upstream work of water supply including trunk distribution system.
- (ii) During the year, the Group and the Company had revised the estimated timing of the payment of trade payables and late payment interest based on the development of the litigation as disclosed in Note 32(c). The revision in the timing of payment of trade payables and late payment interest and discounting them at historical effective interest rate had resulted in a gain on re-estimation on payment of trade payables and late payment interest.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

7. LOSS BEFORE TAX (CONTD.)

The following items are included in arriving at loss before tax (contd.):

(b) Other expenses

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	381	-	375	-
Other auditors	-	364	-	358
- Under provision in previous years				
Other auditors	17	20	17	20
- Non-audit fees				
KPMG Malaysia	11	-	11	-
Other auditors	-	239	-	239
Operating lease:				
- Minimum lease payment on equipment	681	734	681	734
- Minimum lease payment on buildings	3,259	3,126	3,259	3,126
Bad debts recovered	(1,318)	(592)	(1,318)	(592)
Allowance/(Reversal of allowance) for impairment of trade receivables (Note 18(a))	1,626	(126)	1,626	(126)
Impairment of long term trade receivables (Note 18(c))	183,969	145,593	183,969	145,593
Depreciation of property, plant and equipment (Note 12)	13,916	10,695	13,916	10,695
Amortisation of service concession assets (Note 13)	233,180	202,831	233,180	202,831

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated In Malaysia) - 393257-T****8. EMPLOYEE BENEFITS EXPENSE**

	Group and Company	
	2013	2012
	RM'000	RM'000
Wages, salaries and bonuses	140,349	132,983
EPF	19,106	17,512
Defined benefit plan (Note 24)	3,089	4,205
Social security costs	1,716	1,621
Unutilised leave	1,141	2,502
Other staff related expenses	28,674	21,468
	<u>194,075</u>	<u>180,291</u>

Included in employee benefits expense are the Group's and the Company's Executive Directors' remuneration (excluding benefits-in-kind) amounting to RM8,676,000 (2012: RM6,489,000) as further disclosed in Note 9.

The Group and the Company contribute to EPF, the national defined contribution plan.

9. DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by the Directors of the Company during the financial year was as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
Executive Directors		
Wages, salaries and bonuses	7,196	5,373
Defined benefit plans	1,205	861
Leave passage	275	255
Total Executive Directors' remuneration (excluding benefit-in-kind) (Note 8)	<u>8,676</u>	<u>6,489</u>
Estimated monetary value of benefit-in-kind	63	73
Total Executive Directors' remuneration (including benefit-in-kind)	<u>8,739</u>	<u>6,562</u>
Non-Executive Directors		
Meeting allowances	35	37
Directors' fees	212	228
Leave passage	106	99
	<u>353</u>	<u>364</u>
	<u>9,092</u>	<u>6,926</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

10. FINANCE COSTS

	Group and Company	
	2013 RM'000	2012 RM'000
Finance cost on loans and borrowings	207,219	196,990
Finance cost on service concession obligations	246,144	256,972
Finance cost on long-term payables	308,882	178,534
Finance cost on obligation under finance lease	93	140
Other finance cost	111	69
	<u>762,449</u>	<u>632,705</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

11. INCOME TAX EXPENSE

	Group and Company	
	2013	2012
	RM'000	RM'000
Income statement		
- Current income tax	-	-
- Under-provision in respect of previous years	3,895	-
	<u>3,895</u>	<u>-</u>
Deferred tax (Note 16):		
- Origination and reversal of temporary differences	(14,455)	1,119
- Over-provision in respect of previous years	(7,533)	(9,417)
- Effects on reduction in Malaysian income tax rate	25,145	-
	<u>3,157</u>	<u>(8,298)</u>
	<u>7,052</u>	<u>(8,298)</u>

Reconciliation between tax expense and accounting loss

The reconciliation of income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loss before tax	(90,960)	(15,357)	(90,950)	(15,346)
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	(22,740)	(3,839)	(22,738)	(3,837)
Income not subject to tax	(1,428)	(2,556)	(1,428)	(2,556)
Expenses not deductible for tax purposes	9,713	7,514	9,711	7,512
Under-provision of current tax in previous years	3,895	-	3,895	-
Over-provision of deferred tax in previous years	(7,533)	(9,417)	(7,533)	(9,417)
Effects on reduction in Malaysian income tax rate (Note 11(a))	25,145	-	25,145	-
Income tax recognised in profit or loss	<u>7,052</u>	<u>(8,298)</u>	<u>7,052</u>	<u>(8,298)</u>

(a) Effects on reduction in Malaysian income tax rate

This refers to the effect of the change in Malaysia corporate tax rate from 25% to 24% with effective from YA 2016 as announced in the Malaysian 2014 Budget on 25 October 2013. Accordingly, deferred tax has been provided using 24%.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Furniture and fittings					Tools and equipment	Signage	Total
	Motor vehicles	Electronic equipment	RM'000	Office equipment	Renovation	RM'000	RM'000	RM'000
2013								
Cost								
At 1 January	38,786	38,966	4,479	5,276	57,677	6,518	12,904	164,606
Additions	-	3,878	644	578	620	276	77	6,073
Disposals	(17)	-	-	-	-	-	-	(17)
Transferred from SCA (Note 13)	-	4,166	-	-	-	-	-	4,166
At 31 December	38,769	47,010	5,123	5,854	58,297	6,794	12,981	174,828
Accumulated Depreciation								
At 1 January	24,680	30,355	3,439	4,676	46,930	5,602	6,571	122,253
Charge for the financial year (Note 7(b))	855	5,615	383	280	5,173	324	1,286	13,916
Disposals	(14)	-	-	-	-	-	-	(14)
At 31 December	25,521	35,970	3,822	4,956	52,103	5,926	7,857	136,155
Net Book Value								
At 31 December	13,248	11,040	1,301	898	6,194	868	5,124	38,673

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Group and Company		Motor vehicles	Electronic equipment	Furniture and fittings	Office equipment	Renovation	Tools and equipment	Signage	Total
2012		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January		36,960	30,903	4,043	5,033	56,241	5,677	12,859	151,716
Additions		1,826	1,347	436	243	1,436	841	45	6,174
Transferred from SCA (Note 13)		-	6,716	-	-	-	-	-	6,716
At 31 December		38,786	38,966	4,479	5,276	57,677	6,518	12,904	164,606
Accumulated Depreciation									
At 1 January		23,391	28,998	3,126	4,152	41,570	5,087	5,234	111,558
Charge for the financial year (Note 7(b))		1,289	1,357	313	524	5,360	515	1,337	10,695
At 31 December		24,680	30,355	3,439	4,676	46,930	5,602	6,571	122,253
Net Book Value									
At 31 December		14,106	8,611	1,040	600	10,747	916	6,333	42,353

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

12. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Assets pledged as security

Property, plant and equipment of the Group and the Company have been charged as security for long-term borrowings as disclosed in Note 21.

Assets held under finance leases

Net book values of property, plant and equipment of the Group and the Company acquired under finance leases are as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
Motor vehicles		
Cost	3,626	5,488
Accumulated depreciation	(1,082)	(1,595)
Net book value	<u>2,544</u>	<u>3,893</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

13. SERVICE CONCESSION ASSETS AND OBLIGATIONS

Service Concession Assets

The movements in this account are as follow:

	2013 RM'000	2012 RM'000
Group		
Cost		
As at 1 January	8,624,758	8,449,833
Additions	274,475	181,641
Transferred to property, plant and equipment (Note 12)	(4,166)	(6,716)
At 31 December	8,895,067	8,624,758
Accumulated amortisation		
As at 1 January	909,940	707,109
Charge for the year (Note 7(b))	233,180	202,831
At 31 December	1,143,120	909,940
Net carrying amount	7,751,947	7,714,818
Company		
Cost		
As at 1 January, as previously stated	8,515,586	8,340,661
Reclassification (Note 34)	109,172	109,172
As at 1 January 2012, as restated	8,624,758	8,449,833
Additions	274,475	181,641
Transferred to property, plant and equipment (Note 12)	(4,166)	(6,716)
At 31 December	8,895,067	8,624,758
Accumulated amortisation		
As at 1 January	909,940	707,109
Charge for the year (Note 7(b))	233,180	202,831
At 31 December	1,143,120	909,940
Net carrying amount	7,751,947	7,714,818

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

13. SERVICE CONCESSION ASSETS AND OBLIGATIONS (CONTD.)

Service concession assets represent the Company's right to charge users for the supply and distribution of treated water within the Distribution Area pursuant to the Concession Agreement dated 15 December 2004 entered into between the Company, the Federal Government and the State Government.

The addition to the service concession assets during the year arose from recognition of fair value of the service concession obligations and revenue on construction services related to rehabilitation works performed by the Company pursuant to the Concession Agreement.

The fair value of the construction service as determined using the cost plus mark-up basis, whereby a certain mark-up is factored on projects involving external consultants and in-house projects.

The Group's and the Company's service concession assets include borrowing costs arising from the borrowings for the purpose of the NRW projects. Details of borrowings are disclosed in Note 21. During the financial year, the net borrowing costs capitalised in capital work-in-progress amounted to RM272,000 (2012: RM270,000).

The Group and the Company have performed the assessment on impairment of service concession assets based on the following key assumptions used in deriving the value-in-use:

- (i) An average 3% to 4% growth rate on the sale of water;
- (ii) Favourable outcome of the tariff compensation litigation between the Group and the Company and State Government and the amount claimed will be received; and
- (iii) The projected cash flow from Year 2014 to Year 2034 on the basis that the operation of the concession is for 30 years which will end in Year 2034.

Based on a discount rate 8.35%, no impairment was recognised for the financial year ended 31 December 2013 as the value-in-use for the SCA was in excess of their carrying values.

The impairment assessment is highly sensitive over the final outcome of the tariff compensation litigation. If the outcome of the litigation is not favorable, the non-current assets of the Group and the Company would be significantly impaired.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

13. SERVICE CONCESSION ASSETS AND OBLIGATIONS (CONTD.)

Service Concession Obligations

Service concession obligations are the sum of the following:

- (a) Annual charges and land use charges payable to State Government; and
- (b) Fixed capacity charges payable to water treatment operators.

	Group and Company	
	2013	2012
	RM'000	RM'000
Analysed as:		
Current	521,962	492,925
Non-current:		
Later than 1 year but not later than 2 years	497,107	496,854
Later than 2 years but not later than 5 years	1,353,745	1,059,718
Later than 5 years	2,269,087	2,863,968
	4,119,939	4,420,540
	4,641,901	4,913,465

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

14. INVESTMENT IN A SUBSIDIARY

	Company	
	2013 RM	2012 RM
Unquoted shares, at cost	2	2

Name of subsidiary	Proportion of ownership (%)		Principal activity
	2013	2012	
Incorporated in Malaysia			
Perbadanan Urus Air Selangor Berhad	100	100	Dormant

On 8 December 2004, the Company agreed with KDEB to acquire the entire paid-up share capital of PUAS from Menteri Besar Incorporated (1994) for a cash consideration of RM2. The effective date of the acquisition coincides with the operational date of the Concession Agreement dated 15 December 2004 between the Company, the Federal Government and the State Government, which took effect on 1 January 2005.

15. DSRA

Under the terms of the BACP/BAMTN Programme and RM410 million and RM250 million term loans facilities, the Group and the Company shall ensure that funds are deposited in the DSRA until the balance held in the DSRA is at least equivalent to the aggregate of profit/interest in relation to the BAMTN and the facilities under the RM410 million and RM250 million term loans which will become due and payable in the next six months and the outstanding principal of the BAMTN and the facilities under the RM410 million and RM250 million term loans which will become due and payable in the next twelve (12) months (to be built up in twelve (12) equal monthly instalments during the preceding twelve (12) months on a straight line basis). This DSRA is maintained with a licensed financial institution. The deposits in the DSRA are held for long-term until the full redemption/repayment and expiry of the BAMTN Programme and RM410 million and RM250 million term loans facilities.

The Group and the Company obtained indulgence from the BAMTN holder on 23 April 2013 to waive the requirement to deposit the outstanding principal of the BAMTN which was due on 30 September 2013 which was subsequently extended to 28 March 2014 into the DSRA. Subsequent to the year end, the Group and the Company had obtained a further extension of the eight-year RM310 million tranche from 28 March 2014 to 30 September 2014 as disclosed in Note 31(ii).

The weighted average effective interest rate applicable to the deposits held in the DSRA for this purpose at the reporting date was 3.24% (2012: 3.15%) per annum. At the reporting date, the carrying amount of the deposits held in the DSRA approximated their fair value.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

16. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	As previously reported 1 January 2012 RM'000	Reclassification 1 January 2012 RM'000	As at 1 January 2012 (restated) RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	As at 31 December 2012 (restated) RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	As at 31 December 2013 RM'000
Group and Company									
Deferred tax									
liabilities:									
Trade payables	(10,146)	-	(10,146)	(18,769)	-	(28,915)	(10,347)	-	(39,262)
Loans and borrowings	(16,607)	-	(16,607)	9,204	-	(7,403)	2,612	-	(4,791)
Service concession assets	(1,521,222)	(55,504)	(1,576,726)	27,199	-	(1,549,527)	22,183	-	(1,527,344)
	(1,547,975)	(55,504)	(1,603,479)	17,634	-	(1,585,845)	14,448	-	(1,571,397)
Deferred tax									
assets:									
Tax losses	669,108	-	669,108	(33,283)	-	635,825	(10,087)	-	625,738
Trade receivables	20,469	-	20,469	27,116	-	47,585	27,789	-	75,374
Property, plant and equipment	221,556	-	221,556	47,866	-	269,422	78,877	-	348,299
Service concession obligations	1,280,254	-	1,280,254	(51,889)	-	1,228,365	(114,309)	-	1,114,056
Other payables	11,040	-	11,040	854	347	12,241	125	501	12,867
	2,202,427	-	2,202,427	(9,336)	347	2,193,438	(17,605)	501	2,176,334
	654,452	(55,504)	598,948	8,298	347	607,593	(3,157)	501	604,937
	(Note 34)								
	51								

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

16. DEFERRED TAX (CONTD.)

	Group and Company	
	2013	2012
	RM'000	RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	2,176,334	2,193,438
Deferred tax liabilities	(1,571,397)	(1,585,845)
	<u>604,937</u>	<u>607,593</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is available. The Directors are of the opinion that the Group and the Company will be able to reduce tax payable in view of future profits and benefits accruing to the Group and the Company from the existing water concessions which have been awarded to the Group and the Company (Note 5) to which the deferred tax asset relates.

17. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2013	2012
	RM'000	RM'000
Unquoted		
At 1 January	9,190	9,409
Addition	20,000	-
Disposal	(29,499)	-
Fair value gain/(loss)	309	(219)
At 31 December	<u>-</u>	<u>9,190</u>

Available-for-sale investment was fund placements in unit trust.

The fair value was not disclosed for this financial instrument as the carrying amount was measured at fair value.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Current				
Trade receivables (Note 18(a))				
Trade receivables	219,979	208,184	219,979	208,184
Amount due from State Government				
- free water (Note 18(b))	27,294	26,475	27,294	26,475
	<u>247,273</u>	<u>234,659</u>	<u>247,273</u>	<u>234,659</u>
Less: Allowance for impairment	(4,825)	(3,199)	(4,825)	(3,199)
	<u>242,448</u>	<u>231,460</u>	<u>242,448</u>	<u>231,460</u>
Other receivables				
Advances and loans to staff	730	1,188	730	1,188
Interest receivable	4,038	2,966	4,038	2,966
Amounts due from collection agencies	7,634	8,633	7,634	8,633
Sundry receivables	14,801	3,440	14,542	3,055
Deposits	4,061	3,824	4,057	3,821
	<u>31,264</u>	<u>20,051</u>	<u>31,001</u>	<u>19,663</u>
	<u>273,712</u>	<u>251,511</u>	<u>273,449</u>	<u>251,123</u>
Non-Current				
Trade receivables (Note 18(a))				
Amount due from State Government				
- tariff compensation (Note 18(c))	3,404,375	2,334,993	3,404,375	2,334,993
Less: Allowance for impairment	(308,590)	(183,779)	(308,590)	(183,779)
	<u>3,095,785</u>	<u>2,151,214</u>	<u>3,095,785</u>	<u>2,151,214</u>

(a) Trade receivables

The Group's and the Company's normal credit term is 30 days (2012: 30 days). Other credit terms are assessed and approved on a case by case basis. The credit term for the amount due from State Government is 90 days (2012: 90 days).

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

18. TRADE AND OTHER RECEIVABLES (CONTD.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables excluding the amount due from State Government - tariff compensation is as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Neither past due nor impaired	170,239	168,795	170,239	168,795
1 to 30 days past due not impaired	39,918	35,907	39,918	35,907
31 to 153 days past due not impaired	21,679	16,891	21,679	16,891
More than 153 days past due not impaired	10,612	9,867	10,612	9,867
	72,209	62,665	72,209	62,665
Impaired	4,825	3,199	4,825	3,199
	247,273	234,659	247,273	234,659

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Individually impaired:				
Trade receivables—nominal amounts	4,825	3,199	4,825	3,199
Less: Allowance for impairment	(4,825)	(3,199)	(4,825)	(3,199)
	-	-	-	-
Movement in allowance accounts:				
At 1 January, as previously stated	3,199	3,325	3,199	6,628
Reclassification	-	-	-	(3,303)
At 1 January, as restated	3,199	3,325	3,199	3,325
Allowance/(Reversal of allowance) for impairment of trade receivables (Note 7(b))	1,626	(126)	1,626	(126)
At 31 December	4,825	3,199	4,825	3,199

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

18. TRADE AND OTHER RECEIVABLES (CONTD.)

(b) Amount due from State Government - free water

This represents the amount due from State Government on the quantum of free water usage granted by State Government to certain water account holders.

(c) Amount due from State Government - tariff compensation

This represents water tariff compensation receivable arising from the new water tariff. Further details are disclosed in Note 4(b) and 4(d).

Movement in impairment allowance:	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000 Restated
At 1 January	183,779	75,260	183,779	75,260
Accretion of interest on long term receivable (Note 7(a))	(59,158)	(37,074)	(59,158)	(37,074)
Allowance for impairment (Note 7(b))	183,969	145,593	183,969	145,593
At 31 December	<u>308,590</u>	<u>183,779</u>	<u>308,590</u>	<u>183,779</u>

19. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits with licensed banks	996,419	895,214	996,419	895,214
Cash on hand and at bank	28,221	39,288	27,845	39,022
	<u>1,024,640</u>	<u>934,502</u>	<u>1,024,264</u>	<u>934,236</u>

Included in deposits and bank balances of the Group and the Company are amounts of RM254,253,000 (2012: RM214,405,000) in relation to consumers deposits collected by the Group and the Company with effect from 1 January 2005 following the privatisation of the water supply services in Distribution Area. As stipulated in the Concession Agreement, the Group and the Company shall utilise the deposits collected to meet the claims of consumers for refund of their deposits.

Included in deposits and bank balances of the Group and the Company are the restricted balances of RM161,594,000 (2012: RM60,430,000), which are maintained and may only be utilised for various specific purposes but not as working capital.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

20. SHARE CAPITAL

	Group and Company			
	Number of Shares		Amount	
	2013	2012	2013 RM	2012 RM
Authorised:				
Ordinary shares of RM1 each				
At 1 January/31 December	<u>93,449,999</u>	<u>93,449,999</u>	<u>93,449,999</u>	<u>93,449,999</u>
Golden share of RM1 each				
At 1 January/31 December	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
RPS of RM0.01 each				
At 1 January/31 December	<u>655,000,000</u>	<u>655,000,000</u>	<u>6,550,000</u>	<u>6,550,000</u>
Issued and fully-paid:				
Ordinary shares of RM1 each				
At 1 January/31 December	<u>65,000,000</u>	<u>65,000,000</u>	<u>65,000,000</u>	<u>65,000,000</u>
Golden share of RM1 each				
At 1 January/31 December	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
RPS of RM0.01 each				
At 1 January/31 December	<u>655,000,000</u>	<u>655,000,000</u>	<u>6,550,000</u>	<u>6,550,000</u>
Classified as liability (Note 21(h))			<u>(6,550,000)</u>	<u>(6,550,000)</u>
			-	-

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

20. SHARE CAPITAL (CONTD.)

The Golden Share held by the MOF, a ministry of the Federal Government carries, amongst others, the following rights:

- (a) The Federal Government shall be entitled to nominate two (2) representatives as Non-Executive Directors of the Group and the Company;
- (b) The Federal Government shall be entitled to receive notice of, and to attend and speak at all general meetings or any other meeting of any class of shareholders of the Group and the Company provided that the Golden Share shall carry no right to vote or any other right at any such meeting;
- (c) The Federal Government may subject to the provisions of the Companies Act, 1965 in Malaysia, require the Group and the Company to redeem the Golden Share at par at any time by serving written notice upon the Group and the Company and delivering the relevant share certificate;
- (d) The Group and the Company shall not do any of the following without the prior written consent of the Federal Government:-
 - (i) the amendment, removal or alteration of any rights or otherwise affecting the definition of the Golden Share;
 - (ii) a proposal for the voluntary winding up or dissolution of the Group and the Company;
 - (iii) any disposal, conveyance, assignment or transfer of the assets which because of its size, is required by the Companies Act, 1965, in Malaysia or by the Bursa Malaysia or any other exchange on which the shares of the Group and the Company are listed, to be subject to approval by the Group and the Company in a general meeting;
 - (iv) any amendment to the Memorandum or Articles of Association of the Company affecting the rights of, or any other matters relating to the Golden Share;
 - (v) any acquisition, takeover, amalgamation, merger or change in the operations carried on by the Group and the Company, which because of its significance is required by the Companies Act, 1965, in Malaysia or by the Bursa Malaysia or any other exchange on which the shares of the Group and the Company are listed to be subject to approval by the Group and the Company in a general meeting; and
 - (vi) any other matters which are likely to materially or adversely affect the national interest or security or any policy of the Federal Government. The determination of what constitutes 'national interest', 'national security' and 'Government policy' shall be made by the Federal Government and such determination shall be final and conclusive.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Current				
Secured:				
Obligation under finance leases (Note 26(b))	535	632	535	632
BAMTN (Note 21(a))	510,000	308,923	510,000	308,923
Government Loan RM320.8 million (Note 21(d))	1,600	-	1,600	-
Government Loan RM110 million (Note 21(e))	550	-	550	-
	<u>512,685</u>	<u>309,555</u>	<u>512,685</u>	<u>309,555</u>
Non-current				
Secured:				
BAMTN (Note 21(a))	1,562,319	1,751,471	1,562,319	1,751,471
RM410 million and RM250 million Term Loans (Note 21(b))	659,975	659,975	659,975	659,975
Government Loan RM320.8 million (Note 21(d))	319,200	320,800	319,200	320,800
Government Loan RM110 million (Note 21(e))	52,736	34,095	52,736	34,095
Government Loan RM75 million (Note 21(f))	32,062	-	32,062	-
Government Loan RM76 million (Note 21(g))	22,001	-	22,001	-
Obligation under finance leases (Note 26(b))	885	1,442	885	1,442
	<u>2,649,178</u>	<u>2,767,783</u>	<u>2,649,178</u>	<u>2,767,783</u>
Unsecured:				
RCULS (Note 21(c))	208,211	193,208	208,211	193,208
RPS (Note 21(h))	713,536	690,418	713,536	690,418
	<u>3,570,925</u>	<u>3,651,409</u>	<u>3,570,925</u>	<u>3,651,409</u>
Total loans and borrowings	<u>4,083,610</u>	<u>3,960,964</u>	<u>4,083,610</u>	<u>3,960,964</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

The remaining maturities of the loans and borrowings as at 31 December 2013 are as follows:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
On demand or within one year	512,685	309,555	512,685	309,555
More than 1 year and less than 2 years	210,669	207,445	210,669	207,445
More than 2 year and less than 5 years	857,156	778,857	857,156	778,857
5 years or more	2,503,100	2,665,107	2,503,100	2,665,107
	<u>4,083,610</u>	<u>3,960,964</u>	<u>4,083,610</u>	<u>3,960,964</u>

(a) BACP Programme/BAMTN Programme

The BAMTN is analysed as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
Nominal value	2,125,000	2,125,000
Less: Yield to maturity *	(125,176)	(125,176)
Net proceeds	1,999,824	1,999,824
Accumulated accreted finance cost	72,495	60,570
	<u>2,072,319</u>	<u>2,060,394</u>

* include debt issuance expenses.

On 19 September 2005, the Group and the Company entered into several agreements with a consortium of banks comprising BMB, CIMB Bank, CIMB and HSBC in respect of the issue up to RM200 million nominal value BACP Programme and up to RM3 billion nominal value BAMTN Programme.

On 30 September 2005, the Group and the Company completed the first issuance of the BAMTN with an aggregate nominal value of RM1.03 billion comprising:

- (i) An eight-year RM310 million nominal value tranche;
- (ii) A nine-year RM200 million nominal value tranche;
- (iii) A ten-year RM200 million nominal value tranche; and
- (iv) An eleven-year RM320 million nominal value tranche.

The BAMTN issued on 30 September 2005 matures beginning 30 September 2013 and on an annual basis, for each series issued. Redemption will be made at nominal value.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(a) BACP Programme/BAMTN Programme (contd.)

During the financial year, the Group and the Company had obtained approval from the bondholder for the extension of the eight-year RM310 million tranche to 28 March 2014. The first series amounting to RM310 million and RM200 million have been reclassified to current liabilities as they will mature on 28 March 2014 and 30 September 2014 respectively.

Subsequent to the reporting date, the Group and the Company had obtained a further extension of the eight-year RM310 million tranche from 28 March 2014 to 30 September 2014 as disclosed in Note 31(ii).

On 18 May 2007, the Group and the Company further issued BAMTN with an aggregate nominal value of RM365 million, which will mature beginning 18 May 2017 and on an annual basis, for each series issued as follows:

- (i) A ten-year RM125 million nominal value tranche;
- (ii) An eleven-year RM120 million nominal value tranche; and
- (iii) A twelve-year RM120 million nominal value tranche.

On 20 February 2008, the Group and the Company issued BAMTN with an aggregate nominal value of RM230 million to CIMB Bank, which will mature beginning 20 February 2020 and on an annual basis, for each series issued as follows:

- (i) A twelve-year RM70 million nominal value tranche;
- (ii) A thirteen-year RM60 million nominal value tranche;
- (iii) A fourteen-year RM50 million nominal value tranche; and
- (iv) A fifteen-year RM50 million nominal value tranche.

On 31 October 2008, the Group and the Company further issued BAMTN with an aggregate nominal value of RM500 million to EPF, which will mature beginning 31 October 2016 and on an annual basis, for each series issued as follows:

- (i) An eight-year RM125 million nominal value tranche;
- (ii) A ten-year RM125 million nominal value tranche;
- (iii) A twelve-year RM125 million nominal value tranche; and
- (iv) A fifteen-year RM125 million nominal value tranche.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(a) BACP Programme/BAMTN Programme (contd.)

On 31 May 2011, ACQUA SPV Berhad ("ACQUA SPV") acquired the total nominal value of outstanding BAMTN of RM2,125 million from the existing bondholders of the Group and the Company.

The Group and the Company are required to maintain the following financial ratios:

- (i) Debt to Equity Ratio of not more than 70:30 from and including 2010 until the expiry of the BACP/BAMTN Programme; and
- (ii) Finance Service Cover Ratio of not less than 1.50 times from and including 2010 until the expiry of the BACP/BAMTN Programme.

BACP/BAMTN are sharing the same securities as listed in Note 21(b). In addition, the BACP/BAMTN are also secured by way of the rights over the Escrow Account and the monies standing to the credit thereof.

The Group and the Company are restricted from declaring and paying any dividends, whereupon:

- (i) An Event of Default has occurred, is continuing and has not been waived, or if following such payment or distribution an Event of Default would occur;
- (ii) The Finance Service Cover Ratio is breached or will be breached if calculated immediately following such payment or distribution;
- (iii) The Debt to Equity Ratio is breached or will be breached if calculated immediately following such payment or distribution; or
- (iv) The balance outstanding to the credit of the DSRA both before and after the payment is less than the Minimum Required Balance.

Provided that conditions (ii) and (iv) shall not be applicable to dividends paid on the RPS from year 2015 onwards.

The effective interest rates per annum of this borrowing at the reporting date range between 5.00% to 8.24% per annum (2012: 5.00% to 8.24% per annum).

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(b) RM410 million and RM250 million Term Loans

The Group and the Company obtained term loan facilities of up to RM410 million and RM250 million from BPMB to part finance the capital expenditure and the NRW reduction programmes (including the operation, maintenance, development and upgrading of the water distribution system over a period of thirty (30) years) respectively.

These term loans are repayable as follows from the date of the first drawdown:

	RM410 million Term Loan RM'000	RM250 million Term Loan RM'000
Month 204 (17 years)	73,240	50,000
Month 216 (18 years)	77,380	50,000
Month 228 (19 years)	81,750	50,000
Month 240 (20 years)	86,370	50,000
Month 252 (21 years)	91,260	50,000
	<u>410,000</u>	<u>250,000</u>

The above term loans are secured via the following:

- A debenture incorporating fixed and floating charges over all present and future assets of the Company, both movable and immovable;
- Assignment of all rights, titles and benefits under the Concession Agreement;
- Assignment of all contractual rights, titles and benefits under the Construction Contract (excluding the performance bonds); and
- Assignment over the Designated Accounts (Collection Account, Operating Account, BPMB Disbursement Account, DSRA and Land Use Charges Reserve Account).

Interest is payable annually at the rate of 5.65% (2012: 5.65%) per annum.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**21. LOANS AND BORROWINGS (CONTD.)****(c) RCULS**

On 23 February 2006, the Company entered into a Subscription Agreement with PNHB and KDEB in relation to the issue of up to RM1,045 million nominal value of RCULS by the Company. The RCULS will be issued progressively to PNHB and KDEB based on the Group's and the Company's requirements to finance the operations and capital expenditure requirements of the Group and the Company under the Group and the Company's Concession Agreement dated 15 December 2004. The commitment by PNHB and KDEB to subscribe for the RCULS are up to RM732 million (70%) and RM313 million (30%) respectively.

In the event that any party is unable to subscribe for its portion of the relevant RCULS in full on the issue date, the other party shall thereupon be entitled, but not obliged to subscribe for all, or a portion only, of such RCULS as are unable to be subscribed for. The Group and the Company had on 9 March 2006 issued RM135 million of the RCULS to PNHB. On 22 May 2007 and 29 May 2007, the Group and the Company issued a further RM77 million and RM33 million of RCULS to PNHB and KDEB respectively.

Interest at the rate of 7% per annum on the nominal value of the RCULS is payable by the Group and the Company to the RCULS holders. The RCULS will be redeemed in full by the Group and the Company on the 21st anniversary of the first issue date at their nominal value.

Each RCULS holder is entitled to exercise its conversion rights to convert the RCULS into new shares in the Group and the Company at the Conversion Price of RM1.00 payable for every new share to be issued pursuant to the conversion of the RCULS or such other price as may be agreed between the Group and the Company and the relevant RCULS holder prior to the Conversion Date.

Until the RCULS have been redeemed or converted into shares of the Company, the Group and the Company shall pay to the RCULS holders, coupon on the nominal value of the RCULS outstanding at a fixed rate of 7% per annum.

The RCULS are regarded as compound instruments, consisting of a liability component and an equity component.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(c) RCULS (contd.)

The proceeds received from the issue of the RCULS were split between the liability component and equity component, representing the fair value of the conversion option. The RCULS are accounted for on initial recognition as follows:

	Group and Company	
	2013 RM'000	2012 RM'000
Liability component		
Nominal value of RCULS	245,000	245,000
Equity component, net of deferred taxation	(94,839)	(94,839)
Deferred taxation	(32,533)	(32,533)
Liability component as at date of issuance	117,628	117,628
Accretion of finance costs	90,583	75,580
Liability component as at 31 December	208,211	193,208

The effective interest rate per annum of this borrowing at the reporting date is 8.02% - 8.50% (2012: 8.02% - 8.50%).

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(d) Government Loan RM320.8 million

On 16 December 2009, the Group and the Company had entered into a Government Loan Agreement with the Federal Government in respect of a loan facility of RM320.8 million granted to the Group and the Company by the Federal Government.

The salient terms of the Government Loan Agreement are as follows:

(i) Facility Amount	: RM320.8 million.
(ii) Purpose of Loan	: Payment for water purchased from the water treatment operators namely, PNSB, ABASS and SPLASH.
(iii) Repayment	: The Facility Amount to be repayable over sixteen (16) years beginning on the fifth (5) year from first (1) drawdown i.e. grace period of four (4) years.
(iv) Default Interest	: Eight percent (8.0%) per annum on any overdue principal repayment amount.
(v) Events of Default	: The Federal Government has the right to call on an event of default without securing or referring to the existing Noteholders and Lenders of the Group and the Company.
(vi) Other Terms	: As privately agreed with the Federal Government.

The government loan has been fully utilised by the Group and the Company to pay for water purchased from the water treatment operators, namely, PNSB, ABASS and SPLASH.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(e) Government Loan RM110 million

On 17 October 2011, the Group and the Company had entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM110 million granted to the Group and the Company by the Federal Government.

During the year, the Group and the Company have drawdown the final drawdown of RM33,454,000 from this facility.

	Group and Company	
	2013 RM'000	2012 RM'000
At 1 January	34,095	7,378
Drawdown during the year	33,454	58,046
Effect of MFRS 120 (Note 22(c))	(18,282)	(33,377)
Accretion of finance costs	3,805	1,936
Borrowing costs capitalised	214	112
At 31 December	<u>53,286</u>	<u>34,095</u>

The salient terms of the Government Loan Agreement are as follows:

- (i) Facility Amount : RM110 million.
- (ii) Purpose of Loan : (a) To finance capital expenditure works on old pipe replacement project for fourteen (14) critical areas in Selangor, Kuala Lumpur and Putrajaya for an amount of up to RM95 million only; and
- (b) To finance capital expenditure works on upgrading of water supply system project at Sabak Bernam to move 65 MLD of clean water from the Bernam River Headwork Reservoir for an amount of up to RM15 million only.

- (iii) Tenure : Twenty (20) years.

(iv) Drawdown period	:	Year	RM'000
		2011	18,500
		2012	63,000
		2013	28,500
			<u>110,000</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(e) Government Loan RM110 million (contd.)

The salient terms of the Government Loan Agreement are as follows (contd.):

- (v) Repayment : The Facility amount to be repayable over eighteen (18) years, commencing on the third (3rd) year from the first drawdown date.

Year	Per annum RM'000
2014 - 2019	550
2020 - 2023	1,100
2024 - 2027	1,650
2028	13,200
2029	22,000
2030	27,500
2031	33,000

- (vi) Special Loan Account and Security : Deed of Assignment over a Special Loan Account and the credit balances therein.

- (vii) Interest : Three percent (3.0%) per annum.

- (viii) Default Interest : Five percent (5.0%) per annum on any overdue principal repayment amount.

- (ix) Other Terms : As privately agreed with the Federal Government.

(f) Government Loan RM75 million

On 21 October 2013, the Group and the Company entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM75 million granted to the Group and the Company by the Federal Government.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(f) Government Loan RM75 million (contd.)

During the year, the Group and the Company have drawdown the first drawdown of RM57,650,000 from this facility.

	Group and Company	
	2013	2012
	RM'000	RM'000
At 1 January	-	-
Drawdown during the year	57,650	-
Effect of MFRS 120 (Note 22(f))	(25,812)	-
Accretion of finance costs	224	-
At 31 December	32,062	-

The salient terms of the Government Loan Agreement are as follows:

(i) Facility Amount	: RM75 million.
(ii) Purpose of Loan	: To finance the works in relation to the water supply mitigation programme - old pipes and critical pipes replacement projects in Selangor and Kuala Lumpur, which will reduce the loss of non-water revenue water at sixteen (16) critical areas in Selangor, Kuala Lumpur and Putrajaya.
(iii) Tenure	: Twenty (20) years.
(iv) Repayment	: The Facility amount to be repayable over seventeen (17) years, commencing on the third (3rd) year from the first drawdown date.
(v) Special Loan Account and Security	: Deed of Assignment over a Special Loan Account and the credit balances therein.
(vi) Interest	: Three percent (3.0%) per annum.
(vii) Default Interest	: Five percent (5.0%) per annum on any overdue repayment amount.
(viii) Other Terms	: As privately agreed with the Federal Government.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(g) Government Loan RM76 million

On 21 October 2013, the Group and the Company had entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM76 million granted to the Group and the Company by the Federal Government.

During the year, the Group and the Company have drawdown the first drawdown of RM39,560,000 from this facility.

	Group and Company	
	2013	2012
	RM'000	RM'000
At 1 January	-	-
Drawdown during the year	39,560	-
Effect of MFRS 120 (Note 22(e))	(17,712)	-
Accretion of finance costs	153	-
At 31 December	<u>22,001</u>	<u>-</u>

The salient terms of the Government Loan Agreement are as follows:

- (i) Facility Amount : RM76 million.
- (ii) Purpose of Loan : To finance the works in relation to the water mitigation programme phase 2 to overcome the water shortage in Selangor, Kuala Lumpur and Putrajaya.
- (iii) Tenure : Twenty (20) years.
- (v) Repayment : The Facility amount to be repayable over seventeen (17) years, commencing on the third (3rd) year from the first drawdown date.
- (vi) Special Loan Account and Security : Deed of Assignment over a Special Loan Account and the credit balances therein.
- (vii) Interest : Three percent (3.0%) per annum.
- (viii) Default Interest : Five percent (5.0%) per annum on any overdue repayment amount.
- (ix) Other Terms : As privately agreed with the Federal Government.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(h) RPS

On 6 May 2005, the Group and the Company entered into a Subscription Agreement with the MOF in relation to the subscription of 655 million RPS to be issued by the Group and the Company at a total subscription price of RM655 million. MOF agreed to subscribe for a total of 655 million RPS of RM0.01 each of the Group and the Company, to be issued at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) within a period of four (4) years, commencing from 15 January 2007 until 14 January 2011. The RPS is not convertible into ordinary shares of the Group and the Company but shall be redeemed by the Group and the Company commencing on 31 December 2021 until 31 December 2025 in five (5) equal tranches of RM131.0 million nominal value for each of the years.

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Nominal value	6,550	6,550	6,550	6,550
Share premium	648,450	648,450	648,450	648,450
Subscription price	655,000	655,000	655,000	655,000
Effect on MFRS 120 (Note 22(b))	(54,310)	(54,310)	(54,310)	(54,310)
Total accretion of finance costs	25,198	17,782	25,198	17,782
Finance cost payable	87,648	71,946	87,648	71,946
At 31 December	713,536	690,418	713,536	690,418

Each RPS shall confer on its holder the following rights:

- (i) A fixed cumulative net dividend of 3% per annum on each RPS, payable in cash on a date falling in the financial year ending no earlier than 31 December 2015 (which date is to be determined at the sole discretion of the Group and the Company), out of profits of the Group and the Company available for distribution in respect of each financial year or other accounting period of the Group and the Company prior to such date provided always that no dividend shall be declared or be due and payable except in accordance with the priority of payments set out in the Assignment and Charge I dated 19 January 2005 between the Group and the Company and the Security Agent, CIMB.
- (ii) Net dividend declared for each financial year from the date of issue up to the financial year ending 31 December 2014 shall, once declared be payable in eleven (11) equal instalments commencing in the year 2015 and ending in the year 2025. Such instalment shall be in addition to the payment of any net dividend declared for the relevant financial year 31 December 2015 and any financial year thereafter.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

21. LOANS AND BORROWINGS (CONTD.)

(h) RPS (contd.)

Each RPS shall confer on its holder the following rights (contd.):

- (iii) Each RPS shall not confer on the holder thereof any right to participate on a return in excess on liquidation, winding up or otherwise of the Group and the Company, other than redemption, up to the paid-up value of RM1.00 for each RPS with a par value of RM0.01 and a premium of RM0.99.
- (iv) The RPS shall carry no right to receive notice of or to attend or vote at any general meeting of the Group and the Company other than on a resolution to amend or vary the rights of holders of the RPS.
- (v) the Group and the Company shall redeem each RPS on the following dates and in the following proportions:

Date	Group and Company RM'000
31 December 2021	131,000
31 December 2022	131,000
31 December 2023	131,000
31 December 2024	131,000
31 December 2025	131,000
	<u>655,000</u>

- (vi) No RPS shall be convertible into ordinary shares of the Group and the Company.
- (vii) The RPS shall not be transferable in whole or in part and they shall not be listed in Bursa Securities or any other stock exchange.
- (viii) The RPS shall rank ahead of all other shares issued or to be issued by the Group and the Company, be it preference, ordinary or otherwise. In addition, the Group and the Company shall ensure that all advances or loans from shareholders of the Group and the Company shall, to the extent permissible by law, rank behind the RPS in terms of payment in a winding-up of the Group and the Company.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

22. GOVERNMENT GRANT

- (a) A government grant of RM250 million was received by the Group and the Company in consideration of the Group and the Company performing its obligations under the Concession Agreement. This grant is used solely for the purpose of financing the cost and expenditure of the NRW. NRW refers to such part of the works undertaken by the Group and the Company for the purpose of reducing non-income generating unaccountable water loss.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	220,229	226,832
Less: Amortisation (Note 7(a))	(5,482)	(6,603)
At 31 December	<u>214,747</u>	<u>220,229</u>

- (b) On 26 March 2010, the Group and the Company completed the RPS issuance of RM132 million by issuing 132 million units of RPS with a nominal value of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to MOF for cash consideration of RM132 million. MFRS 120 requires the benefit of the government loan at below-market rate of interest to be treated as government grants. RM54,310,000 being the difference between the amount received and the fair value of the RPS is accounted for as a government grant.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	44,352	47,973
Less: Amortisation (Note 7(a))	(1,246)	(3,621)
At 31 December	<u>43,106</u>	<u>44,352</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

22. GOVERNMENT GRANT (CONTD.)

- (c) On 17 October 2011, the Group and the Company entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM110 million granted to the Group and the Company by the Federal Government.

During the year, the Group and the Company made a final drawdown of RM33,454,000 from this facility. MFRS 120 requires the benefit of the government loan at a below-market rate of interest to be treated as government grants. RM18,282,000 (2012: RM33,377,000) being the difference between the amount received and the fair value of the government loan is accounted for as a government grant.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	42,703	11,128
Addition during the year (Note 21(e))	18,282	33,377
Less: Amortisation (Note 7(a))	(1,714)	(1,802)
At 31 December	59,271	42,703

- (d) A government grant of RM8,239,000 was received by the Group and the Company on 23 January 2013, for the purpose of upgrading the mechanical and electrical equipment for a pumphouse station.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	-	-
Addition during the year	8,239	-
Less: Amortisation (Note 7(a))	(232)	-
At 31 December	8,007	-

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

22. GOVERNMENT GRANT (CONTD.)

- (e) On 21 October 2013, the Group and the Company entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM76 million granted to the Group and the Company by the Federal Government.

During the year, the Group and the Company made a first drawdown of RM39,560,000 from this facility. MFRS 120 requires the benefit of the government loan at a below-market rate of interest to be treated as government grants. RM17,712,000 (2012: Nil) being the difference between the amount received and the fair value of the government loan is accounted for as a government grant.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	-	-
Addition during the year (Note 21(g))	17,712	-
Less: Amortisation (Note 7(a))	(41)	-
At 31 December	17,671	-

- (f) On 21 October 2013, the Group and the Company entered into a Loan Facility Agreement and Deed of Assignment with the Federal Government in respect of a loan facility of RM75 million granted to the Group and the Company by the Federal Government.

During the year, the Group and the Company made a first drawdown of RM57,650,000 from this facility. MFRS 120 requires the benefit of the government loan at a below-market rate of interest to be treated as government grants. RM25,812,000 (2012: Nil) being the difference between the amount received and the fair value of the government loan is accounted for as a government grant.

	Group and Company	
	2013	2012
	RM'000	RM'000
Net carrying amount		
At 1 January	-	-
Addition during the year (Note 21(f))	25,812	-
Less: Amortisation (Note 7(a))	(60)	-
At 31 December	25,752	-
Total Government Grant [(a)+(b)+(c)+(d)+(e)+(f)]	368,554	307,284

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

22. GOVERNMENT GRANT (CONTD.)

Basis of fair valuation of government grants

The fair value of government loan is estimated by discounting the future principal and interest payments at a discount rate of 7.8% - 8.6%. Due to the nature of the Group's and the Company's business, there is no comparable instrument for such loan and hence, the discount rate is an unobservable input, which has been arrived at by the Directors after considering risks of the cash flows.

An increase or decrease by 0.5% in the discount rate used to fair value the government loans that were drawdown during the year would have the following effect to the government grants recognised during the year:

	Group and Company	
	50bp increase RM'000	50bp decrease RM'000
2013		
Discount rate	<u>3,412</u>	<u>(3,642)</u>
2012		
Discount rate	<u>1,627</u>	<u>(1,759)</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
				Restated
Current				
Trade payables (Note 23(a))	769,557	734,204	769,557	734,204
	<u>769,557</u>	<u>734,204</u>	<u>769,557</u>	<u>734,204</u>
Other payables				
Amount due to a related party (Note 23(a))	696	361	696	361
Finance cost payable	38,075	37,942	38,075	37,942
Deposits from consumers	454,066	429,174	454,066	429,174
Other payables and accruals	357,079	288,041	352,691	283,648
	<u>849,916</u>	<u>755,518</u>	<u>845,528</u>	<u>751,125</u>
	<u>1,619,473</u>	<u>1,489,722</u>	<u>1,615,085</u>	<u>1,485,329</u>
Non-current				
Trade payables (Note 23(b))	3,666,089	2,245,562	3,666,089	2,245,562
Other payables	533,987	782,482	533,987	782,482
	<u>4,200,076</u>	<u>3,028,044</u>	<u>4,200,076</u>	<u>3,028,044</u>

- (a) The credit term of the trade payables granted to the Group and the Company is 30-90 days (2012: 90 days).

The non-trade amount due to a related party is interest free, unsecured and is repayable on demand.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

23. TRADE AND OTHER PAYABLES (CONTD.)

- (b) The Group and the Company have classified certain portion of their trade payables as non-current resulting from the Court of Appeal's decision on the SPLASH (Kuala Lumpur High Court Civil Suit No. D-22ND-398-2009) litigation (see Note 32(b)). Based on the Court of Appeal's decision, the Group and the Company have the unconditional rights to defer payments to their trade payables. The Group and the Company determine the repayment of their trade payables based on their projected cash flow.

The Group and the Company anticipate that their trade payables are likely to be paid in the following timeframe:

	Group and Company	
	within next 12 months RM'000	13 - 36 months RM'000
At 31 December 2013		
Trade payables carried at amortised cost	<u>769,557</u>	<u>3,666,089</u>
At 31 December 2012		
Trade payables carried at amortised cost	<u>734,204</u>	<u>2,245,562</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

24. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Company operate an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits of 0.5 to 1.25 month of their final salary for every year of service with the Group and the Company on the attainment of their retirement age of 56 (age of 60 effective 1 January 2013) or voluntary retirement age of 50.

Movement of provision for retirement benefits is as follows:

	Group and Company	
	2013	2012
	RM'000	RM'000
At 1 January	23,352	20,033
Add: Provision for the year (Note 8)	3,089	4,205
Add: Recognition of actuarial differences	2,003	1,386
Less: Payment made during the year	(1,492)	(2,272)
At 31 December	26,952	23,352
Maturity of provision:		
Not later than 1 year	-	20
Later than 1 year but not later than 2 years	-	20
Later than 3 years	26,952	23,312
	26,952	23,352

The amount recognised in the profit or loss are as follows:

Current service cost	1,621	2,856
Interest cost	1,468	1,349
Total	3,089	4,205

The principal actuarial assumptions used are as follows:

	2013	2012
	%	%
Discount rate	6.00	6.00
Rate of compensation increase	6.00	6.00

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

25. RELATED PARTIES

(a) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

The Group and the Company have related party relationship with its shareholders, subsidiary, Directors and key management personnel.

Apart from the individually significant transactions and balances as disclosed elsewhere in the financial statements, the Group and the Company have collectively, but not individually significant transactions with related parties.

(b) Significant related party transactions

Significant related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 18 and 23.

	Group and Company	
	2013 RM'000	2012 RM'000
(i) Shareholder		
RCULS interest payable to PNHB	13,024	12,722

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

25. RELATED PARTIES (CONTD.)

(b) Significant related party transactions (contd.)

(ii) Other related parties

These related parties are entities where the shareholders of the Group and the Company have control, joint control or significant influence.

	Group and Company	
	2013	2012
	RM'000	RM'000
Purchase of bulk quantity of treated water	983,245	956,869
Finance cost on long term payables	171,781	114,998
Storage fees charged by PNSB	604	348
Purchase of motor vehicles from PNSB	-	1,826

(iii) Government and government related entities

The MOF, a ministry of the Federal Government is the shareholder with one Golden share of RM1. KDEB, a wholly owned entity of Menteri Besar Incorporated (1994), is a shareholder with 15% equity interest and Kumpulan Perangsang Selangor Berhad, a subsidiary of KDEB, with 15% equity interest in the Company are related parties of the Group and the Company. Therefore, the Federal Government, State Government and bodies controlled, jointly controlled or significant influenced by the Federal Government and State Government are also related parties to the Group and the Company.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

25. RELATED PARTIES (CONTD.)

(b) Significant related party transactions (contd.)

(iii) Government and government related entities (contd.)

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company also have individually significant related party transactions as listed below:

	Group and Company	
	2013	2012
	RM'000	RM'000
Raw Water Royalty payable to State Government	17,470	16,879
Tariff Compensation claimed against State Government	1,069,382	1,023,941
Free 20m ³ water revenue billed to		
State Government	151,361	146,010
Free 20m ³ water revenue billed to LPHS	7,775	7,182
RCULS interest payable to KDEB	1,979	1,916

The Group and the Company benefit from loans provided by the Federal Government which carry interests below the market rates.

As the Company supplies and distributes treated water within the Distribution Area, a large portion of the sale of treated water are made to the Federal Government and State Government and other entities controlled, jointly controlled or significantly influenced by them.

(iv) Compensation of key management personnel

The remuneration of key management personnel comprising solely directors is disclosed in Note 9.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****26. COMMITMENTS****(a) Capital commitments**

	Group and Company	
	2013	2012
	RM'000	RM'000
Commitment under the terms of the Concession Agreement:		
- Contracts authorised but not contracted for service concession assets	65,590	64,746
- Contracts approved and contracted for service concession assets	225,853	226,872
	<u>291,443</u>	<u>291,618</u>

(b) Finance lease commitments

	Group and Company	
	2013	2012
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	617	725
Later than 1 year but not later than 2 years	582	617
Later than 2 years but not later than 5 years	329	933
	<u>1,528</u>	<u>2,275</u>
Less: Amounts representing finance charges	(108)	(201)
Present value of minimum lease payments	<u>1,420</u>	<u>2,074</u>
Present value of payments:		
Not later than 1 year	535	632
Later than 1 year but not later than 2 years	551	555
Later than 2 years but not later than 5 years	334	887
Present value of minimum lease payments	<u>1,420</u>	<u>2,074</u>
Less: Amount due within 12 months (Note 21)	(535)	(632)
Amount due after 12 months (Note 21)	<u>885</u>	<u>1,442</u>

The average discount rate implicit in the leases as at reporting date were as follows:

	Weighted average interest rate	
	2013	2012
	%	%
Finance leases payables	<u>2.92</u>	<u>2.82</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****27. CONTINGENT LIABILITIES**

Below is the contingent liability of the Group and the Company other than as disclosed elsewhere in the financial statements.

	Group and Company	
	2013	2012
	RM'000	RM'000
Unsecured		
Dispute on interest on late payment to a related party	30,253	-

As disclosed in Note 32(e), PNSB filed a civil suit against the Company to strictly enforce the term of payment of 30 days as stipulated in the Water Supply Agreements. The Company disputed the said claim of late payment interest as PNSB had earlier claimed the late payment interest on the basis of 90 days payment terms.

Based on the legal opinion obtained from the Company's Solicitors, and after assessing the case, the Company is of the view that PNSB may probably be estopped from claiming the amount of late payment interest on the basis of 30 days payment term prior to the filing of its Writ and Statement of Claim. As the issue on the late payment interest is still pending and both parties have agreed to resolve the issue by way of arbitration, this amount is disclosed as a contingent liability.

28. FAIR VALUE OF THE FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loan and receivables ("L&R")
- (b) Available-for-sale financial assets ("AFS"); and
- (c) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount	L&R/(FL)	AFS
2013	RM'000	RM'000	RM'000
Financial assets			
Trade and other receivables	3,369,497	3,369,497	-
DSRA	104,750	104,750	-
Deposit, cash and bank balances	1,024,640	1,024,640	-
	<u>4,498,887</u>	<u>4,498,887</u>	<u>-</u>
Financial liabilities			
Loans and borrowings	(4,083,610)	(4,083,610)	-
Service concession obligations	(4,641,901)	(4,641,901)	-
Trade and other payables	(5,819,549)	(5,819,549)	-
	<u>(14,545,060)</u>	<u>(14,545,060)</u>	<u>-</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

28. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTD.)

(a) Categories of financial instruments (contd.)

Group	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
2012			
Financial assets			
Available-for-sale investment	9,190	-	9,190
Trade and other receivables	2,402,725	2,402,725	-
DSRA	64,732	64,732	-
Deposit, cash and bank balances	934,502	934,502	-
	<u>3,411,149</u>	<u>3,401,959</u>	<u>9,190</u>
Financial liabilities			
Loans and borrowings	(3,960,964)	(3,960,964)	-
Service concession obligations	(4,913,465)	(4,913,465)	-
Trade and other payables	(4,517,766)	(4,517,766)	-
	<u>(13,392,195)</u>	<u>(13,392,195)</u>	<u>-</u>
Company			
2013			
Financial assets			
Trade and other receivables	3,369,234	3,369,234	-
DSRA	104,750	104,750	-
Deposit, cash and bank balances	1,024,264	1,024,264	-
	<u>4,498,248</u>	<u>4,498,248</u>	<u>-</u>
Financial liabilities			
Loans and borrowings	(4,083,610)	(4,083,610)	-
Service concession obligations	(4,641,901)	(4,641,901)	-
Trade and other payables	(5,815,161)	(5,815,161)	-
	<u>(14,540,672)</u>	<u>(14,540,672)</u>	<u>-</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

28. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTD.)

(a) Categories of financial instruments (contd.)

	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
Company			
2012			
Financial assets			
Available-for-sale investment	9,190	-	9,190
Trade and other receivables	2,402,337	2,402,337	-
DSRA	64,732	64,732	-
Deposit, cash and bank balances	934,236	934,236	-
	<u>3,410,495</u>	<u>3,401,305</u>	<u>9,190</u>
Financial liabilities			
Loans and borrowings	(3,960,964)	(3,960,964)	-
Service concession obligations	(4,913,465)	(4,913,465)	-
Trade and other payables	(4,513,373)	(4,513,373)	-
	<u>(13,387,802)</u>	<u>(13,387,802)</u>	<u>-</u>

(b) Net gains or losses arising from financial instruments

	Group and Company	
	2013	2012
	RM'000	RM'000
Net (losses)/gains on:		
Trade and other receivables		
- Impairment of long term trade receivables	(183,969)	(145,593)
- Finance income on accretion of long term trade receivables	59,158	37,074
Trade and other payables		
- Gain on re-estimation on payment of trade payables and late payment interest	64,681	48,667
- Finance cost on long-term payables	(308,882)	(178,534)
Loans and borrowings	(207,219)	(196,990)
Fair value gain/(loss) on available-for-sale investment	309	(219)
	<u>(575,922)</u>	<u>(435,595)</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

28. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTD.)

- (c) Fair values of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Group and Company Carrying amount RM'000	Fair value RM'000
At 31 December 2013			
Financial liabilities			
Service concession obligations	13	(4,641,901)	(3,662,900)
Loans and borrowings			
- Obligation under finance lease	21	(1,420)	(1,446)
- BAMTN	21	(2,072,319)	(2,190,488)
- RM410 million and RM250 million Term Loans	21	(659,975)	(677,570)
- Government Loan RM320.8 million	21	(320,800)	(104,342)
- RPS	21	<u>(713,536)</u>	<u>(469,516)</u>
At 31 December 2012			
Financial liabilities			
Service concession obligations	13	(4,913,465)	(3,866,544)
Loans and borrowings			
- Obligation under finance lease	21	(2,074)	(2,128)
- BAMTN	21	(2,060,394)	(2,239,763)
- RM410 million and RM250 million Term Loans	21	(659,975)	(674,395)
- Government Loan RM320.8 million	21	(320,800)	(96,961)
- RPS	21	<u>(690,418)</u>	<u>(434,929)</u>

The above fair values are categorised under level 3 of the fair value hierarchy. Level 3 fair value is estimated using unobservable inputs for the financial liabilities, using the discounted cash flows valuation technique.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****28. FAIR VALUE OF THE FINANCIAL INSTRUMENTS (CONTD.)****(d) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<u>Note</u>
Trade and other receivables (current and non-current)	18
Trade and other payables (current and non-current)	23
RCULS	21
Government Loan RM110 million (current and non-current)	21
Government Loan RM75 million	21
Government Loan RM76 million	21

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Directors regularly review and agree policies and procedures for the management of these risks.

The following sections provide details on the Group's and the Company's exposure to the above mentioned financial risks and objectives and policies for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from the Group's and the Company's receivables from water consumers and other receivables.

The Group's and the Company's exposure to credit risk is mainly by the individual characteristics of each customers. The Group and the Company have set up credit policies which establish credit limit for all water consumers and monitor their balances on an on going basis.

The credit policies also require customers to place deposits with the Group and the Company where deposits can be utilised to off-set against outstanding balance when the customers' accounts have been terminated.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(a) Credit risk (contd.)

The Group and the Company have established appropriate procedure to collect deposit from consumers when opening a new account and the collected amount is maintained in a separate bank account to meet the claims of consumers for refund of consumers' deposits.

For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rated counterparties.

Credit risk concentration profile

At the reporting date, approximately:

- 94% (2012: 92%) of the Group's and the Company's total gross trade receivables were due from one (1) customer.

The major customer is in relation of the water tariff compensation receivable as disclosed in Note 4(b). Any late or non-payment by the State Government may have an adverse impact on the cash flows and/or profit of the Group and the Company. The Group and the Company have taken legal action against State Government as disclosed in Note 32(c).

In addition, the Group and the Company monitor closely on the status of legal proceedings against the State Government pertaining to water tariff compensation with the objective to expedite the lengthy process and to resolve the matter amicably, if possible.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with banks and other financial institutions and other investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

The Group and the Company manage their liquidity risk by establishing budget with the view to ensuring that sufficient bank balances to meet the obligations. In addition, the Group and the Company negotiate with lenders to reschedule and/or restructure the existing credit facilities to coincide with the present operating environment.

The Group and the Company have revised its estimates of cash outflows for payments to its trade payables resulting from the Court of Appeal's decision on the SPLASH (Kuala Lumpur High Court Civil Suit No. D-22ND-398-2009) litigation (see Note 32(b)).

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group			Total RM'000
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	
2013				
Financial liabilities:				
Trade and other payables	1,619,473	4,363,666	-	5,983,139
Loans and borrowings	665,631	1,742,954	3,176,854	5,585,439
Service concession obligations	548,060	1,641,789	4,705,654	6,895,503
Total undiscounted financial liabilities	2,833,164	7,748,409	7,882,508	18,464,081
2012				
Financial liabilities:				
Trade and other payables	1,489,722	2,651,007	-	4,140,729
Loans and borrowings	616,618	2,296,621	4,441,908	7,355,147
Service concession obligations	517,706	1,826,124	5,069,379	7,413,209
Total undiscounted financial liabilities	2,624,046	6,773,752	9,511,287	18,909,085

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations (contd.).

	On demand or within one year RM'000	Company		Total RM'000
		One to five years RM'000	Over five years RM'000	
2013				
Financial liabilities:				
Trade and other payables	1,615,085	4,363,666	-	5,978,751
Loans and borrowings	665,631	1,742,954	3,176,854	5,585,439
Service concession obligations	548,060	1,641,789	4,705,654	6,895,503
Total undiscounted financial liabilities	<u>2,828,776</u>	<u>7,748,409</u>	<u>7,882,508</u>	<u>18,459,693</u>
2012				
Financial liabilities:				
Trade and other payables	1,485,329	2,651,007	-	4,136,336
Loans and borrowings	616,618	2,296,621	4,441,908	7,355,147
Service concession obligations	517,706	1,826,124	5,069,379	7,413,209
Total undiscounted financial liabilities	<u>2,619,653</u>	<u>6,773,752</u>	<u>9,511,287</u>	<u>18,904,692</u>

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

As at 31 December 2013, 100% (2012: 100%) of the Group's and the Company's loans and borrowings carry fixed interest rates. The Group's and the Company's income and operating cash flows are therefore substantially independent of changes in market interest rates. However the Group and the Company provide for late payment interest on trade payables at floating rate of Base Lending Rate + 2%. A change in 50 basis point ("bp") in interest rates at the end of reporting period would have increased or decreased post tax profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

Sensitivity analysis:

	Group and Company Profit or Loss	
	50bp increase RM'000	50bp decrease RM'000
2013		
Other payable	18,188	(18,188)
2012		
Other payable	21,525	(21,525)

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**30. SIGNIFICANT EVENTS**

On 21 March, 7 May, 5 August and 11 November 2013, the Company submitted to the State Government the claim for tariff compensation relating to each quarter amounting to RM1,046.7 million for the year 2013 which are due and payable by the State Government within ninety (90) days of the end of each quarter under Clause 11.3(4) of its Concession Agreement. Total compensation claimed as to date amounted to RM3,235.9 million.

31. EVENTS AFTER THE REPORTING DATE

- (i) On 11 March 2014, the Group and the Company submitted to the State Government the claim for tariff compensation amounting to RM320.5 million for the fourth quarter of year 2013 payable by 31 March 2014 under Clause 11.3(4) of its Concession Agreement. Total compensation claimed as to date amounted to RM3,556.4 million.
- (ii) On 20 March 2014, the Group and the Company obtained the approval from ACQUA SPV to further extend the maturity date of the outstanding BAMTN of RM310.0 million due on 28 March 2014 to 30 September 2014.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor

Both PUAS and the Company had been served with:-

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

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

The Plaintiff had commenced legal action against PUAS and the Company in respect of an agreement dated 25 October 2001 entered into between the Plaintiff and Kerajaan Negeri Selangor ("the Third Defendant") pertaining to the supply of pipes and fittings in the State of Selangor Darul Ehsan and the Federal Territories of Kuala Lumpur and Putrajaya.

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

- (i) An order to immediately restrain PUAS and/or the Company whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS and/or the Company and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from purchasing and/or obtaining and/or being given and/or dealing with and/or receiving all its requirements for the pipes (which includes straight pipes whether whole or in cut lengths of any material including but not limited to mild steel pipes) and fittings (which includes tees, bends, tapes, tapers, collars, flange adaptors, blank flanges, mechanical joints and similar accessories) in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya from any other entities except from the Plaintiff until the disposal of the Plaintiff's Inter-Partes application for an injunction;

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor (contd.)

Vide the Ex-Parte SIC, the Plaintiff prayed for the following (contd.):-

- (ii) An order to immediately restrain PUAS and/or the Company whether by themselves, their agents, servants, directors, contractors, nominees and/or all related parties to PUAS and/or the Company and/or assignees and/or successors-in-title or otherwise howsoever by injunction, be restrained from taking any further steps in supplying and/or dealing with all of the above pipes and fittings and/or including negotiations and/or award of contracts with any other entities arising out of and in connection with the purchasing and/or obtaining and/or being given and/or receiving all of its requirements for pipes and fittings in respect of all water projects being carried out or to be carried out in the State of Selangor including the Federal Territories of Kuala Lumpur and Putrajaya until the disposal of the Plaintiff's Inter-Partes application for an injunction;
- (iii) Costs to be costs in the cause;
- (iv) That a date be fixed for the Inter-Partes hearing of the Plaintiff's application therein within twenty-one (21) days from the date of the Ex-Parte Order; and
- (v) Such further and other relief as the High Court deems fit.

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

PUAS and the Company denied and refuted all allegations raised by the Plaintiff in the Suit and had instructed their Solicitors to file an application vide Summons in Chambers dated 1 November 2006 to set aside the Ex-Parte Order and to vigorously defend themselves against the Plaintiff's claim on the day of the Inter-Partes hearing fixed on 7 November 2006.

At the hearing on 7 November 2006, the High Court on the application of the Plaintiff's Solicitors allowed an adjournment of the hearing to 17 November 2006 to enable the Plaintiff to prepare a reply Affidavit to the Affidavit filed by the Third Defendant to the Suit. Subsequently, the hearing was adjourned to 20 November 2006.

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

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor (contd.)

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

On 22 March 2007, the High Court fixed the Case Management for mention on 4 April 2007. The application by the Plaintiff for Discovery against PUAS and the Company and inspection of the Company's Concession Agreement was also heard on 22 March 2007 and a decision was fixed for hearing on 4 April 2007. At the hearing on 4 April 2007, the High Court allowed the application for Discovery by the Plaintiff against PUAS and the Company and accordingly, ordered the discovery and inspection of the Company's Concession Agreement.

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

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

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

The High Court had on 6 July 2009 fixed the hearing of the First and Second Defendants' application to amend the High Court Order dated 22 November 2006 to 22 July 2009. The High Court had directed the Plaintiff to file a further Affidavit to state that the Plaintiff intended to add the Third Defendant in the Order in view that the application was only in respect of amending the entity to SPAN.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor (contd.)

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

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

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

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

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor (contd.)

At the trial held on 21 January 2011, the High Court had vacated the date previously fixed for the oral submissions on 24 January 2011 and 25 January 2011 and fixed additional dates for continued trials on 24 January 2011, 25 January 2011 and 26 January 2011. The trial dates previously fixed on 28 March 2011 to 31 March 2011 remain unchanged. At the trial held on 28 March 2011, the High Court vacated the dates on 30 March 2011 and 31 March 2011. The trial dates on 28 March 2011 and 29 March 2011 remain unchanged. The matter was fixed for further full trial on 5 May 2011, 6 May 2011, 20 May 2011, 8 June 2011, 9 June 2011 and 10 June 2011. Since the trial concluded on 9 June 2011, the trial fixed for 10 June 2011 was vacated and the matter was fixed for decision on 12 September 2011.

The High Court had on 12 September 2011 postponed the decision date for the matter to 5 October 2011 as post-trial submissions only closed on 9 September 2011. On 5 October 2011, the High Court had dismissed the Plaintiff's claim against the Defendants which include PUAS and the Company. On 3 November 2011, the Plaintiff had filed a Notice of Appeal to the Court of Appeal against the decision by the High Court on 5 October 2011.

The Company had been informed by its Solicitors on 3 December 2012 that the Court of Appeal had fixed the matter for Case Management on 10 January 2013.

At the Case Management held on 10 January 2013, the Court of Appeal had fixed the matter for further Case Management on 26 February 2013 to fix the hearing date on the Appeal filed by the Plaintiff.

At the Case Management held on 26 February 2013, the Court Of Appeal fixed the matter for hearing on 22 May 2013 on the Appeal filed by the Plaintiff.

The Court of Appeal had on 22 May 2013 adjourned the hearing on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 which had dismissed the Plaintiff's claim against the Company and the other two Defendants, to a date which will be fixed later by the Court of Appeal.

The Court of Appeal had fixed the hearing on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against the Company and the other two Defendants) on 28 August 2013.

At the hearing held on 28 August 2013, the Court of Appeal had fixed the matter for Case Management on 5 September 2013 to allow the court to fix another hearing date.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

- (a) Kuala Lumpur High Court Suit No: D4-22-1452-2006 - JAKS-KDEB Consortium Sdn Bhd vs PUAS, SYABAS & Kerajaan Negeri Selangor (contd.)

At the Case Management held on 5 September 2013, the Court of Appeal had fixed the hearing on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against the Company and the other two Defendants) on 14 November 2013.

At the hearing held on 14 November 2013 on the Appeal filed by the Plaintiff against the decision of the Kuala Lumpur High Court dated 5 October 2011 (which had dismissed the Plaintiff's claim against the Company and the other two Defendants), the Court of Appeal had unanimously dismissed the Plaintiff's appeal with costs of RM40,000 awarded to the Company and PUAS and RM15,000 awarded to the Third Defendant.

The Plaintiff had filed its Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal on 14 November 2013 which had dismissed the Plaintiff's claim against the Company and the other two Defendants.

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court Of Appeal dated 14 November 2013 for Case Management on 10 February 2014.

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for Case Management on 19 February 2014.

The Federal Court had fixed the Plaintiff's Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 November 2013 for hearing on 6 May 2014.

- (b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS

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

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

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

- (i) The sum of RM196,344,000 being payment for the invoices;

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

In the Statement of Claim, the Plaintiff sought for, inter alia, the following (contd.):-

- (ii) Interest on the sum of RM22,495,000 which was the Capacity Charge for the month of October 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 February 2009 until the date of full realisation;
- (iii) Interest on the sum of RM23,104,000 which was the Capacity Charge for the month of November 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 March 2009 until the date of full realisation;
- (iv) Interest on the sum of RM19,387,000 which was the Capacity Charge for the month of December 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 April 2009 until the date of full realisation;
- (v) Interest on the sum of RM28,284,000 which was the Capacity Charge for the month of January 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 May 2009 until the date of full realisation;
- (vi) Interest on the sum of RM26,654,000 which was the Capacity Charge for the month of February 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 June 2009 until the date of full realisation;
- (vii) Interest on the sum of RM27,269,000 which was the Capacity Charge for the month of March 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 July 2009 until the date of full realisation;
- (viii) Interest on the sum of RM24,798,000 which was the Capacity Charge for the month of April 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 August 2009 until the date of full realisation;
- (ix) Interest on the sum of RM24,353,000 which was the Capacity Charge for the month of May 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 September 2009 until the date of full realisation; and
- (x) Costs.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

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

On 20 August 2010, the High Court adjourned the hearing to 29 September 2010 and allowed the parties to exchange Affidavits in the meantime. At the hearing on 29 September 2010, the High Court postponed the hearing for the Plaintiff's application under Order 33 Rule 2 for the High Court to determine preliminary issues on the construction of the proportionate payment clauses in the Novation Agreement with the Company, to 29 October 2010 whilst the Company's application to reamend the Amended Defence was allowed with costs.

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

The Plaintiff's application under Order 33 Rule 2 to hear the preliminary issues was allowed by the High Court on 12 November 2010 and the matter was fixed for hearing on 10 January 2011.

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

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

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

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

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

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

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

The High Court had on 21 February 2011 declared that the Company must pay in full and not proportionately and subsequently ordered an account of all payments due to the Plaintiff in respect of invoices issued after the date of the writ to be taken before the Deputy Registrar of the New Commercial Court on a date to be fixed. The High Court had ordered the Company to pay lump sum costs of RM30,000 in respect of the Reamended Writ of Summons and the Statement of Claim in lieu of taxation to the Plaintiff and also granted the Company an interim stay on enforcement of the Judgement until 6 April 2011 pending full argument on stay on merits. The Solicitors of the Company filed a Notice of Appeal on 22 February 2011 at the Court of Appeal against the Decision of the High Court dated 21 February 2011.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

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

The earlier hearing date fixed on 30 May 2011 was vacated.

On 27 May 2011, a sealed copy of the Plaintiff's Summons in Chambers for the hearing of the taking of the accounts pursuant to the Decision of the High Court dated 21 February 2011 was served on the Company's Solicitors and the matter was fixed for hearing on 9 June 2011. On 8 June 2011, the Company's Solicitors was informed by the Plaintiff's Solicitors that the High Court had approved the Plaintiff's application to adjourn the hearing for the taking of accounts pursuant to the Decision of the High Court of 21 February 2011 to 24 June 2011. The original hearing date fixed on 9 June 2011 was vacated. The hearing for the taking of accounts pursuant to the Decision of the High Court of 21 February 2011 was adjourned to 1 July 2011 for continuation of hearing. At the High Court hearing held on 1 July 2011 of the Plaintiff's application for the taking of accounts of all payments due from the Defendant on all invoices issued after the date of the amended Writ of Summons, the Plaintiff's application was withdrawn with no order as to costs in view of the decision of the Court of Appeal on 30 June 2011.

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

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

The matter was fixed for further mention on 20 September 2011 pending the disposal of the motion of the Plaintiff to the Court of Appeal (filed on 2 August 2011) for clarification of the Order of the Court of Appeal dated 30 June 2011. On 28 July 2011, the Company's Solicitors were notified by the Plaintiff's Solicitors that the latter intend to file a Notice of Motion for leave to appeal to the Federal Court against the part of decision of the Court of Appeal which was not in their favour. Counsels have perused the Notice of Motion have filed the Affidavit to oppose the Plaintiff's application. At the Case Management on the Plaintiff's Notice of Motion held on 11 August 2011, the Federal Court fixed the matter for hearing on 17 October 2011. The hearing of the Plaintiff's application for leave to appeal to the Federal Court against the decision of the Court of Appeal of 30 June 2011 which was fixed for 17 October 2011 was vacated. The court had fixed the application for Case Management on 3 November 2011. At the Case Management held on 3 November 2011 and upon the request of the Plaintiff's Solicitors, the Federal Court had fixed the next Case Management on 6 December 2011 pending the hearing and disposal of the two (2) motions of the Plaintiff in the Court of Appeal (for clarification and to amend the Order dated 30 June 2011).

The Federal Court had at the Case Management held on 6 December 2011 fixed the matter for further Case Management on 30 January 2012 pending the hearing and disposal of the two (2) motions of the Plaintiff in the Court of Appeal (for clarification and to amend the Order dated 30 June 2011).

At the Case Management held on 30 January 2012, the Federal Court had fixed the matter for further Case Management on 23 February 2012 pending the hearing and disposal of the two (2) motions of the Plaintiff in the Court of Appeal (for clarification and to amend the Order dated 30 June 2011).

On 13 February 2012, the Plaintiff's Solicitors informed the Court of Appeal that the Plaintiff's applications for motion for clarification and to amend the Order of the Court of Appeal dated 30 June 2011 was fixed for hearing on 20 February 2012.

At the hearing held on 20 February 2012 on the Plaintiff's applications for motion for clarification and to amend the Order of the Court of Appeal dated 30 June 2011 ("Order"), the Court of Appeal had:-

- (i) Allowed the Order to be amended so that the relevant parts of the Order will read as:-

"Appeal is allowed in part. Order of the High Court is set aside except the declaration in paragraph 1 of the Order is affirmed subject to the deletion of the words 'tanpa mengambil kira keupayaan Defendan untuk membayar kepada Plaintiff jumlah secara penuh', with no order as to costs".

- (ii) Not made any Order on the Motion by the Plaintiff for clarification.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

At the hearing held on 21 February 2012 on the Plaintiff's two (2) Motions namely, the applications for interim payment and Consequential Orders, the Plaintiff had withdrawn their motion for the interim payment. The High Court had fixed the hearing for the Consequential Order on 29 March 2012.

At the hearing held on 29 March 2012, the High Court had allowed the Plaintiff to withdraw its application and ordered for the application to be struck out with cost of RM15,000 to be awarded to the Company.

On 29 August 2011, the Company's Solicitors served a sealed copy of the Plaintiff's Notice of Motion and Affidavit in Support which was affirmed on 3 August 2011. The motion for clarification of the decision of the Court of Appeal on 30 June 2011 fixed for hearing on 22 September 2011 had been adjourned to 27 October 2011, pending the clarification at the Court of Appeal and hearing of the notice of motion for leave to appeal to the Federal Court. The matter was fixed for mention on 27 October 2011. The High Court allowed the application by the Plaintiff to adjourn the hearing on 27 October 2011, pending the clarification at the Court of Appeal and hearing of the notice of motion for leave to appeal to the Federal Court. The applications by the Plaintiff's for Consequential Orders and interim payment was fixed for hearing on 27 October 2011. On 27 October 2011, the Court had fixed both the Plaintiff's application for Consequential Orders and interim payment for Mention on 31 October 2011 to fix a new hearing date. The Plaintiff's applications for Consequential Orders and interim payment came up for Mention on 31 October 2011 and is now fixed for hearing on 21 February 2012.

On 21 November 2011, the Company's Solicitors informed that the Court of Appeal had fixed the Case Management for the motion for clarification and to amend the Order of the Court of Appeal and Decision dated 30 June 2011 on 22 November 2011. At the Case Management held on 22 November 2011 for the Plaintiff's application on the motion for clarification and to amend the Order of the Court of Appeal and Decision dated 30 June 2011, the Court of Appeal had informed that the Court will write to the parties once the hearing date is fixed.

At the hearing held on 21 February 2012 on the Plaintiff's two (2) motions namely, the applications for interim payment and Consequential Orders, the Plaintiff had withdrawn their motion for the interim payment. The Kuala Lumpur High Court had fixed the hearing for the Consequential Order on 29 March 2012.

At the Case Management held on 23 February 2012 pursuant to the motion by the Plaintiff for leave to appeal to the Federal Court, the Federal Court had fixed the matter for hearing on 10 May 2012.

At the hearing held on 29 March 2012, the High Court had allowed the Plaintiff to withdraw its application and order for the application to be struck out with cost of RM15,000 to be awarded to the Company.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (b) Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009 - SPLASH vs SYABAS (contd.)

On 10 May 2012, the Federal Court had postponed the hearing of the Plaintiff's motion for leave to appeal to the Federal Court to 9 August 2012.

The hearing scheduled to be held on 9 August 2012 for the Plaintiff's motion for leave to appeal to the Federal Court had been adjourned as the Court of Appeal had not provided the written grounds of Judgement. The Federal Court will write to the parties to fix the matter for Case Management and, subject to the availability of the written grounds of Judgement, another date would be fixed to hear the motion.

At the Case Management held on 22 October 2012, the Federal Court had fixed the Motion for Leave to appeal for hearing on 28 February 2013.

On 28 February 2013, the Federal Court unanimously dismissed the application filed by the Plaintiff for leave to appeal against the decision of the Court of Appeal, with cost of RM20,000 awarded to the Company. The Motion for Leave was filed by the Plaintiff against the decision of the Court of Appeal given on 30 June 2011 which had earlier allowed the Company's appeal against the decision of the High Court. By the Federal Court decision, the decision of the Court of Appeal recognising the Company's right to pay the Plaintiff on a proportionate basis was upheld by the Federal Court.

This case had been settled.

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor

The suit filed at the Kuala Lumpur High Court with Originating Summons No: D-24NCC-388-2010-SYABAS vs Kerajaan Negeri Selangor was withdrawn with liberty to file afresh by the Company on 28 June 2011 and the Company went to file a Writ of Summons and Statement of Claim on 8 September 2011 at the Kuala Lumpur High Court with Civil Suit No :22NCC-1478-09/2011-SYABAS vs Kerajaan Negeri Selangor.

On 10 November 2010, the Company had instituted legal proceedings against Kerajaan Negeri Selangor ("the Defendant") at the High Court in Kuala Lumpur vide Originating Summons No: D-24NCC-388-2010 which was supported by an Affidavit in support dated 9 November 2010. In the said Originating Summons, the Company was seeking the following relief:-

- (i) A declaration that upon a true construction of the Concession Agreement dated 15 December 2004, there was a sum of RM471,643,000 due and owing from the Defendant to the Company for the period from 1 January 2009 to 31 December 2009;
- (ii) That the Defendant pay the said sum of RM471,643,000 to the Company forthwith upon making of this Order;

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court. Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

In the said Originating Summons, the Company was seeking the following relief (contd.):-

- (iii) Costs of the action to be paid by the Defendant to the Company in any event; and
- (iv) Such further or other relief or remedy as the Court shall deem just.

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

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

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

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

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

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

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

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

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

Pursuant to the withdrawal of the Originating Summons, the Company subsequently filed a Writ and Statement of Claim at the Kuala Lumpur High Court with the case file Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011-SYABAS vs Kerajaan Negeri Selangor.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

On 8 September 2011, the Company had instituted legal proceedings against the Kerajaan Negeri Selangor ("the Defendant") via the filing of a Writ and Statement of Claim at the High Court for a sum of RM1,054,208,000 being compensation from 1 January 2009 to 31 March 2011 from the Defendant under the term of the Concession Agreement dated 15 December 2004 between the Company, the Federal Government ("the Third Party") and the Defendant.

In the Statement of Claim, the Company prayed for the following Orders:-

- (i) A declaration that upon a true construction of the Concession Agreement dated 15 December 2004, there is a sum of RM1,054,208,000 due and owing from the Defendant to the Company for the period from 1 January 2009 to 31 March 2011;
- (ii) That the Defendant pay the said sum of RM1,054,208,000 to the Company forthwith upon making of the Order;
- (iii) Costs of the action be paid by the Defendant to the Company in any event; and
- (iv) Such further or other relief or remedy as the Court shall deem just.

At the Case Management held on 10 October 2011, the Defendant's Solicitors informed the High Court that the Memorandum of Appearance was filed on 30 September 2011 and an application for leave to file Defence was filed in the High Court on 10 October 2011. The Court then fixed a further Case Management on 4 November 2011 for further directions. On 14 October 2011, the Court allowed the Defendant to file the Defence latest by 4 November 2011 and the Plaintiff to file the reply latest by 18 November 2011. The Court maintained the Case Management scheduled on 4 November 2011 to monitor the progress of the suit. On 4 November 2011, the Defendant's Solicitors informed the Court that the Defence was filed on 4 November 2011. The Court directed the Company to file the notice to attend pre-trial Case Management after filing the reply by 18 November 2011. The Court fixed the next Case Management on 29 November 2011.

On 21 November 2011, the Company's reply had been filed in the High Court and served on the Defendant's Solicitors on 18 November 2011.

At the Case Management held on 29 November 2011, the High Court had fixed a further Case Management on 14 December 2011 for the Company to file the notice to attend pre-trial Case Management upon the close of pleadings and for the Defendant to apply for leave to issue a Third Party Notice against the Third Party.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

The matter which came up for Case Management on 14 December 2011 was fixed for mention on 23 December 2011 in order to fix a hearing date for the Defendant's application for leave to issue a Third Party Notice against the Third Party, which was filed in Court on 14 December 2011.

At the mention held on 23 December 2011, the Federal Government had objected to the Defendant's application for leave to issue a Third Party Notice against the Third Party. The High Court had fixed the matter for another Case Management on 26 January 2012 and hearing on 16 February 2012.

At the Case Management held on 26 January 2012 for the Defendant's application to issue a Third Party Notice, the High Court had fixed 8 February 2012 for the Plaintiff to file in an Affidavit in reply to the Defendant's Affidavit dated 25 January 2012 and further fixed 13 February 2012 for parties to file their respective submissions simultaneously. The hearing date previously fixed on 16 February 2012 was maintained.

At the hearing held on 16 February 2012, the Defendant's application for leave to issue a Third Party Notice against the Third Party ("Application"), the High Court had allowed the Defendant's Application with no order as to cost and had further fixed the matter for Case Management for Third Party Direction on 5 March 2012, and trial of the main Suit on 29 May 2012 and 30 May 2012, respectively.

On 5 March 2012, the High Court had fixed the matter for Case Management on 28 March 2012 to allow the Defendant and the Third Party to file and serve their respective pleadings in the third party proceedings.

On 28 March 2012, the High Court had fixed the matter for further Case Management on 17 April 2012 to allow the parties to finalise the issues to be tried, bundle of documents and list of witnesses. The High Court had also fixed two (2) further trial dates for the matter on 14 June 2012 and 15 June 2012 in addition to the 29 May 2012 and 30 May 2012 which had been fixed earlier. The High Court had rescheduled the Case Management for application of the Defendant to 27 April 2012 which was subsequently adjourned to 30 April 2012.

The High Court had fixed the matter for further Case Management on 8 May 2012 and 15 May 2012.

At the Case Management held on 15 May 2012 which was heard together with the hearing fixed for the application to amend the Statement of Claim filed by the Company on 14 May 2012, the High Court had fixed a further hearing date on 22 May 2012 to allow the parties to file and serve their respective Affidavits. The Case Management was also fixed on the same date.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

At the Case Management held on 22 May 2012 on the application to amend the Statement of Claim filed by the Company, the High Court had adjourned the matter to 25 May 2012 for decision.

On 25 May 2012, the High Court had adjourned the decision on the application to amend the Statement of Claim filed by the Company to 29 May 2012 to allow the parties to further deliberate and submit on the matter. The trial dates fixed on 29 May 2012 and 30 May 2012 as announced earlier are now vacated for the aforementioned purpose. The trial dates fixed on 14 June 2012 and 15 June 2012 remain unchanged.

On 29 May 2012, the High Court had allowed the application to amend the Statement of Claim filed by the Company and further fixed the matter for Case Management on 14 June 2012. The trial dates of 14 June 2012 and 15 June 2012 as announced previously had been vacated.

The High Court had further fixed 4 September 2012, 6 September 2012 and 7 September 2012 as the new trial dates.

At the Case Management held on 14 June 2012, in addition to the existing trial dates fixed on 4 September 2012, 6 September 2012 and 7 September 2012, the High Court had fixed three (3) additional trial dates on 30 October 2012, 31 October 2012 and 1 November 2012 respectively. The High Court had further directed the parties to file additional bundle of documents (if any) and the issues to be tried on or before 31 July 2012, and their respective witness statements one (1) week before the trial.

On 22 June 2012, the Defendant had filed an appeal to the Court of Appeal against the Order dated 29 May 2012 of the High Court allowing the Plaintiff's application to amend the Statement of Claim.

On 28 June 2012, the Court of Appeal had fixed the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing the Company's application to amend the Statement of Claim, for Case Management on 12 July 2012.

At the Case Management held on 12 July 2012 for the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing the Company's application to amend the Statement of Claim, the Court of Appeal had fixed the matter for further Case Management on 14 August 2012 for further direction.

The Court of Appeal had also directed the Defendant to file in the Record of Appeal by 9 August 2012.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

On 14 August 2012, the Court of Appeal had fixed the hearing for the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing the Company's application to amend the Statement of Claim on 8 October 2012. The Court of Appeal also directed the parties to file their respective written submission on or before 24 September 2012.

The High Court had via letter dated 13 August 2012 fixed the matter for Case Management on 16 August 2012.

At the Case Management held on 16 August 2012, the Solicitors for the Defendant had requested for the trial dates on 4 September 2012, 6 September 2012 and 7 September 2012 to be vacated pending disposal of the Defendant's appeal against the Order dated 29 May 2012 of the High Court allowing the Company's application to amend the Statement of Claim ("Appeal"). The Appeal was fixed for hearing at the Court of Appeal on 8 October 2012.

The High Court agreed to vacate the trial dates on 4 September 2012 and 7 September 2012. The witness for the Company will give evidence in chief on 6 September 2012. The trial will continue on 30 October 2012, 31 October 2012, and 1 November 2012 respectively. The parties were to file their respective witness statements one (1) week before the commencement of the trial.

The trial held on 6 September 2012 had been adjourned to 30 October 2012, 31 October 2012 and 1 November 2012, the trial dates previously fixed and announced on 17 August 2012, pending the Plaintiff and the Third Party to file in their respective supplementary/fresh witness statements.

At the hearing held on 8 October 2012 for the State Government's appeal against the Order dated 29 May 2012 of the High Court allowing the Company's application to amend the Appeal, the Court of Appeal had allowed the Appeal with costs.

On 15 October 2012, the Company's Solicitors had filed a motion for leave at the Federal Court to appeal against the decision made by the Court of Appeal dated 8 October 2012. The Federal Court had also fixed the motion for hearing on 23 October 2012.

At the hearing held on 23 October 2012, the Federal Court had granted leave to the Company to appeal to the Federal Court against the decision made by the Court of Appeal dated 8 October 2012. The Federal Court had also directed for an early date to be fixed for the hearing of the Appeal. Pursuant to the leave granted by the Federal Court, the Company had instructed its Solicitors to proceed with the filing of the relevant Notice of Appeal and appeal record.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

In view of the fact that the Federal Court had on 23 October 2012 granted leave to the Company to appeal to the Federal Court against the decision dated 8 October 2012 of the Court of Appeal (which allowed the Defendant's appeal against the decision of the High Court on 29 May 2012 granting leave to the Company to amend its claim), the High Court had on 30 October 2012 adjourned the trial fixed for 30 October 2012, 31 October 2012 and 1 November 2012 pending the outcome of the Company's appeal to the Federal Court. The High Court had fixed new trial dates on 11 January 2013, 13 February 2013, 14 February 2013 and 15 February 2013 and also fixed Case Management on 17 December 2012 for the parties to inform the High Court on the outcome of the Company's appeal to the Federal Court.

On 20 November 2012, the Federal Court had fixed the Company's appeal to the Federal Court against the decision made by the Court of Appeal dated 8 October 2012, for Case Management on 22 November 2012.

At the Case Management held on 22 November 2012, the Federal Court had fixed 10 December 2012 for further Case Management pending the extraction of the Notes of Evidence and the Grounds of Judgment delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 10 December 2012, the Federal Court had fixed 31 January 2013 for hearing of the appeal against the decision delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 17 December 2012, the High Court had vacated the trial date fixed on 11 January 2013 and maintained the trial dates on 13 February 2013, 14 February 2013 and 15 February 2013.

The High Court had also fixed the Case Management on 4 February 2013 for the parties to inform High Court on the outcome of the Company's appeal to the Federal Court which had been fixed for hearing on 31 January 2013.

On 31 January 2013, the hearing for the appeal against the decision delivered by the Court of Appeal on 8 October 2012 had been vacated by the Federal Court to a date to be fixed in due course following re-arrangement of cases by the Federal Court.

On 4 February 2013, the Federal Court had fixed 6 February 2013 as the hearing date for the appeal against the decision delivered by the Court of Appeal on 8 October 2012.

At the Case Management held on 4 February 2013, the High Court had vacated the trial dates fixed on 13 February 2013, 14 February 2013 and 15 February 2013, as announced previously, on the request made by the Defendant's Solicitors. High Court had fixed the new trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)****(c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)**

High Court had also fixed the Case Management on 15 February 2013 for the parties to inform High Court on the outcome of the Company's appeal to the Federal Court which had been fixed for hearing on 6 February 2013.

At the hearing held on 6 February 2013, the Federal Court had allowed the appeal made by the Company against the decision delivered by the Court of Appeal on 8 October 2012, which earlier dismissed the Company's application to amend the Statement of Claim and awarded cost to the Company.

The High Court postponed the Case Management fixed on 15 February 2013 to 28 February 2013.

At the Case Management held on 28 February 2013, the Kuala Lumpur High Court had maintained the trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013, as previously announced.

The High Court had via a letter dated 8 April 2013 vacated the trial dates on 1 July 2013, 2 July 2013, 3 July 2013, 4 July 2013, 8 July 2013, 9 July 2013 and 10 July 2013, as announced previously and had now rescheduled the trial to 2 September 2013, 3 September 2013, 4 September 2013, 5 September 2013, 9 September 2013, 10 September 2013 and 11 September 2013 accordingly.

On 20 August 2013, the Defendant had filed an application to amend the Statement of Defence at the Kuala Lumpur High Court. The application had been fixed for hearing on 23 August 2013.

At the hearing held on 23 August 2013, the Kuala Lumpur High Court had allowed the Defendant's application to amend the Statement of Defence. The Kuala Lumpur High Court further directed the Defendant to file the Amended Statement of Defence by 26 August 2013 and the Plaintiff to file the Amended Reply by 29 August 2013.

The Kuala Lumpur High Court had maintained the trial dates on 2 September 2013, 3 September 2013, 4 September 2013, 5 September 2013, 9 September 2013, 10 September 2013 and 11 September 2013.

The trial for the above matter proceeded on 2 September 2013, 3 September 2013 and 4 September 2013. On 2 September 2013, the Defendant's Solicitors had served a subpoena on the Company's Chief Executive Officer. On 4 September 2013, the Plaintiff filed an application to set aside the subpoena. Further, the Defendant also filed an application to reamend its Statement of Defence. The Kuala Lumpur High Court had fixed both applications ("Applications") for hearing on 11 September 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

The Kuala Lumpur High Court had vacated the trial dates on 5 September 2013, 9 September 2013, 10 September 2013 and 11 September 2013, as previously announced, pending the disposal of the Applications.

On 11 September 2013, the hearing of the Defendant's application to reamend their Statement of Defence and the Company's application to set aside the subpoena served on the Company's Chief Executive Officer had been adjourned to 19 September 2013 to enable the parties to file the necessary Affidavits.

The matter on the Defendant's application to reamend their Statement of Defence came up for hearing on 19 September 2013. Upon submissions from both Counsels, the Kuala Lumpur High Court had reserved the matter for decision and once the date for the decision was fixed, the Kuala Lumpur High Court will also hear the Company's application to set aside the subpoena served on the Company's Chief Executive Officer on 2 September 2013. The Kuala Lumpur High Court further fixed 6 November 2013, 7 November 2013 and 8 November 2013 for continued trial.

On 1 October 2013, the Kuala Lumpur High Court had fixed the Defendant's application to reamend its Statement of Defence for decision on 3 October 2013. As announced previously, the Kuala Lumpur High Court will also hear the Company's application to set aside the subpoena served on the Company's Chief Executive Officer on 2 September 2013 once the date for decision was fixed.

The dates fixed by the Kuala Lumpur High Court for continued trial on 6 November 2013, 7 November 2013 and 8 November 2013 as previously announced remain unchanged.

The Kuala Lumpur High Court had on 3 October 2013 allowed the Defendant's application to reamend the Statement of Defence with costs to the Company. The Kuala Lumpur High Court had directed the Defendant to deliver the reamended Statement of Defence on or before 8 October 2013, and the Company thereafter to deliver its reamended reply on or before 11 October 2013, with the reservation to the Company to apply to amend the writ and reamend its Statement of Claim.

The Company on 31 October 2013 filed an application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad and the High Court fixed the hearing date for the said application on 6 November 2013. The hearing on the Plaintiff's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff on 6 November 2013 had been adjourned to 10 December 2013 pending filing of the necessary Affidavits by the Parties. The Plaintiff's application to set aside the subpoena served on the Chief Executive Officer of the Plaintiff as well as the hearing of the Defendant's application for the Plaintiff to produce documents were also fixed on the same date. The Case Management dates of 6 November 2013, 7 November 2013 and 8 November 2013 had been vacated by the Kuala Lumpur High Court pending the disposal of the above applications.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)****(c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)**

Kuala Lumpur High Court had on 10 December 2013 adjourned the hearing of the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff to 20 January 2014. The Kuala Lumpur High Court also fixed the Defendant's application to strike out the Company's Writ of Summons and amended Statement of Claim for mention on 20 January 2014. The Defendant's Solicitors withdrew their subpoena served on the Company's Chief Executive Officer with no order as to costs. The Company's Solicitors subsequently withdrew their application to set aside the subpoena.

At the hearing on 20 January 2014 on the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff, the Kuala Lumpur High Court adjourned its Decision to a date to be fixed by the Court. The Kuala Lumpur High Court also fixed the Defendant's application to strike out the Company's Writ of Summons and amended Statement of Claim for Mention on the same decision date.

On 12 February 2014, the Company was informed by its Solicitors that the Kuala Lumpur High Court had fixed the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff for Decision on 13 February 2014 to which the Company's application was dismissed with costs of RM5,000 to the Defendant. The Company's Solicitors orally applied for a stay of proceedings pending appeal which was also dismissed by the learned Judicial Commissioner. The Kuala Lumpur High Court fixed the Defendant's application to strike out the Company's Writ of Summons and amended Statement of Claim for hearing on 7 March 2014.

The Company had filed its Notice of Appeal at the Court of Appeal on 14 February 2014 appealing against the decision of the Kuala Lumpur High Court dated 13 February 2014 which had dismissed the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff.

The Court of Appeal had fixed the Company's Notice of Appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) for Case Management on 1 April 2014. The Company had on 19 February 2014 filed its Notice of Motion at the Court of Appeal to stay the High Court proceedings pending the appeal and the Notice of Motion was fixed for hearing on 4 March 2014.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

By consent of both parties the Court of Appeal had on 4 March 2014 allowed for an interim stay of the Kuala Lumpur High Court proceedings. The Company's Notice of Motion to stay the High Court proceedings pending appeal and the Company's Notice of Appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed the Company's application to amend the Writ Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) were now fixed for hearing on 2 April 2014.

The Kuala Lumpur High Court upon being informed on the interim stay of the Kuala Lumpur High Court proceedings granted by the Court of Appeal on 4 March 2014, vacated the hearing fixed on 7 March 2014 to hear the Defendant's application to strike out the Company's Writ of Summons and amended Statement of Claim and had fixed the matter for Case Management on 4 April 2014.

The Company's Notice of Appeal against the decision of Kuala Lumpur High Court dated 13 February 2014 (which had dismissed the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) fixed for Case Management on 1 April 2014 had been vacated in view of the appeal being fixed for hearing on 2 April 2014.

At the Hearing held on 2 April 2014, the Court of Appeal allowed the Company's appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed the Company's application to amend the Writ of Summons and re-amend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) with costs of RM10,000. Further, on the application by the Company's lead counsel, the Court of Appeal also ordered the trial to be heard *de novo* before another judge at court NCC5 of the Kuala Lumpur High Court. The Court of Appeal also allowed the Third Party's application to stay the Kuala Lumpur High Court proceedings pending the disposal of its proposed application for leave to appeal to the Federal Court against the decision of the Court of Appeal. The Court of Appeal made no order on the Company's Notice of Motion to stay the Kuala Lumpur High Court proceedings pending appeal.

On 4 April 2014, the Kuala Lumpur High Court upon being informed of the Court of Appeal's decision dated 2 April 2014 had fixed the matter for further Case Management on 8 April 2014.

Previously, the Court of Appeal had on 2 April 2014 allowed the Company's appeal against the decision of the Kuala Lumpur High Court dated 13 February 2014 (which had dismissed the Company's application to amend the Writ of Summons and reamend the Statement of Claim to add CIMB Investment Bank Berhad as Co-Plaintiff) and also ordered the trial to be heard *de novo* before another judge at court NCC5 of the Kuala Lumpur High Court. The Court of Appeal also allowed the Third Party's application to stay the Kuala Lumpur High Court proceedings pending the disposal of its proposed application for leave to appeal to the Federal Court against the decision of the Court of Appeal.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)**SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T****32. MATERIAL LITIGATIONS (CONTD.)**

- (c) Kuala Lumpur High Court Suit No: 22NCC-1478-09/2011 - SYABAS vs Kerajaan Negeri Selangor (contd.)

At the Case Management held on 8 April 2014, the Kuala Lumpur High Court had fixed the Third Party's application to strike out the Company's Writ of Summons and Amended Statement of Claim for Mention on 5 May 2014.

- (d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS

The Company had been served with a Writ and Statement of Claim ("Statement of Claim") dated 28 March 2011 from the Solicitors acting for ABASS ("the Plaintiff") on 30 March 2011.

In the Statement of Claim, the Plaintiff claimed against the Company for, inter alia, the following:-

- (i) A declaration that the Company was liable to make full payment on all invoices issued by the Plaintiff pursuant to the Privatization Cum Concession Agreement dated 9 December 2000, the Supplemental Agreements dated 10 February 2001, 28 August 2001 and 15 February 2005 and the Novation Agreement dated 15 February 2005 particularly in accordance to Section 4.04(c) of the Novation Agreement and that the Company's liability to make payment in full is not in any way diminished or mitigated by reason of its right to make proportionate payment to the water concessionaires;
- (ii) Judgment for the sum of RM149,479,000;
- (iii) An account of all payments due to the Plaintiff in respect of invoices issued after the date of the Writ herein be taken by the Honourable Court and an order that the Company do pay the Plaintiff all such sums found to be due on the taking of such account;
- (iv) Interest on the outstanding amount of the invoices for the months from January 2010 to October 2010 at the rate of one percent (1%) per annum plus the base lending rate of Malayan Banking Berhad calculated on daily basis until the date of full payment by the Company;
- (v) Interest on the outstanding amount of the previous outstanding invoices for the months from June 2006 to December 2009 in the sum of RM6,219,000;
- (vi) Alternative to prayers (iii) and (iv) above, interest at the rate of eight percent (8%) per annum on the outstanding amount of each of the outstanding invoices to be calculated from the respective due date until the date of full payment by the Company;
- (vii) Damages for breach of contract; and
- (viii) Costs.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated In Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The Company was required to enter appearance within eight (8) days from 30 March 2011 and the Court fixed the matter for Case Management on 12 April 2011.

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

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

The Company's Defence and Counterclaim had been filed in Court and a copy thereof served on the Solicitors of the Plaintiff respectively, on 6 May 2011.

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

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

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

On 29 July 2011, the Company had filed a reply Affidavit to the Plaintiff's application pursuant to Order 33 Rule 2 Rules of the High Court 1980 for certain preliminary issues to be heard before the trial of other questions or issues in the action, and had served the application for leave to issue a Third Party Notice on the relevant parties.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The High Court had further fixed 19 August 2011 for the Plaintiff to file a reply Affidavit and for the Company to reply, if any, on 26 August 2011. The High Court had also fixed a further Case Management date on 26 August 2011 for the High Court to fix a hearing date and on 11 August 2011, the High Court also fixed 26 August 2011 for the Plaintiff to file its reply Affidavit in respect of the Plaintiff's application pursuant to Order 33 Rule 2 and also the Company's application for leave to issue a Third Party Notice. On the same Case Management date, the Company was to inform the High Court whether it wishes to file any further Affidavits in respect of the three applications.

At the Case Management held on 26 August 2011, the High Court had fixed the next Case Management on 26 September 2011 for the Company to file its reply Affidavits and for the parties to exhaust all their Affidavits in respect of the Plaintiff's application pursuant to Order 33 Rule 2, the Company's application for leave to issue a Third Party Notice and also the Company's application to amend the Defence and Counterclaim.

At the Case Management held on 26 September 2011, the High Court had fixed the next Case Management on 5 October 2011 to fix a hearing date in respect of the Plaintiff's application pursuant to Order 33 Rule 2, the Company's application for leave to issue a Third Party Notice and also the Company's application to amend the Defence and Counterclaim.

At the Case Management held on 5 October 2011, the High Court had fixed the hearing on 21 October 2011 in respect of the Company's application for leave to issue a Third Party Notice and also the Company's application to amend the Defence and Counterclaim and further fixed the hearing on 21 November 2011 in respect of the Plaintiff's application pursuant to Order 33 Rule 2.

On 21 October 2011, the High Court had fixed 31 October 2011 for Decision in respect of the Company's application for leave to issue a Third Party Notice and the Company's application to amend the Defence and Counterclaim. On 31 October 2011, the Court postponed the Decision in respect of the Company's applications for leave to issue a Third Party Notice and the application to amend the Defence and Counterclaim to 3 November 2011. The High Court had on 3 November 2011 allowed both the Company's application for leave to issue a Third Party Notice and the application to amend the Defence and Counterclaim. The High Court fixed a further Case Management date on 17 November 2011 to enable the Company to serve the Third Party Notice on the State Government ("the Third Party") and to deliver the Amended Defence and Counterclaim. The Plaintiff had appealed to the Judge in chambers against the decisions of the High Court to allow the Company's application for leave to issue a Third Party Notice and application to amend the Defence and Counterclaim. The Court had fixed both appeals for hearing on 23 November 2011.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

Pursuant to the Third Party filing the Memorandum of Appearance on 17 November 2011, the matter is now fixed for further Case Management on 23 November 2011 for the Company to file the Summons for Third Party Directions. On 21 November 2011, the High Court had adjourned the hearing for the Plaintiff's application pursuant to Order 33 Rule 2 to 13 January 2012.

At the hearing held on 13 January 2012, pursuant to the Plaintiff's application for trial of the preliminary issues pursuant to Order 33 Rule 2, the High Court had adjourned the matter pending the disposal of the hearing of the motion for clarification by the Plaintiff at the Court of Appeal and the leave to appeal at the Federal Court. The case was fixed for Mention on 13 February 2012.

The Plaintiff's Notices of Appeal to the Judge in chambers against the decisions of the High Court on 3 November 2011 came up for hearing on 23 November 2011. After hearing submission from the counsel, the High Court adjourned the matter for decision on 8 December 2011. At the Case Management held on 23 November 2011, the High Court was informed that the Summons for Third Party Directions was filed on 23 November 2011 and the matter was fixed for hearing on 30 November 2011.

At the hearing held on 30 November 2011, for the Summons for Third Party Directions, the High Court ordered that:-

- (i) The Company served its Statement of Claim on the Third Party within fourteen (14) days from 30 November 2011, who shall plead thereto within fourteen (14) days;
- (ii) The Third Party be at liberty to appear at the trial of this action and take such part as the Judge shall direct, and be bound by the result of the trial;
- (iii) The question of liability of the Third Party to indemnify the Company be tried at the trial of this action, but subsequent thereto; and
- (iv) The costs of this application be costs in the cause and in the Third Party proceedings.

The High Court had fixed a further Case Management on 5 January 2012.

On 8 December 2011, the High Court had dismissed the Plaintiff's Notices of Appeal against the decisions dated 3 November 2011 in allowing the Company's application to issue a Third Party Notice and to amend the Defence and Counterclaim, with costs awarded to the Defendant.

The Company's Statement of Claim on the Third Party was filed in Court and served on the Plaintiff's and Third Party's Solicitors on 14 December 2011.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T
32. MATERIAL LITIGATIONS (CONTD.)
(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

At the Case Management held on 5 January 2012, the Court had fixed the next Case Management on 20 January 2012 for the Company to file a reply to the Third Party's Defence.

At the Case Management held on 20 January 2012, the High Court had fixed the trial dates tentatively on 19 March 2012 to 21 March 2012. The High Court also fixed the Case Management for the matter on 13 February 2012, 5 March 2012 and 12 March 2012, pending the outcome of the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2 which was fixed for mention on 13 February 2012.

The Company had been served with a sealed copy of the Third Party's application to set aside the Third Party Notice and Statement of Claim by the Company on 2 February 2012. The application was fixed for Case Management on 13 February 2012.

At the Case Management held on 13 February 2012 in relation to the Third Party's application to set aside the Third Party Notice and Statement of Claim by the Company, the High Court had fixed the matter for further Case Management on 5 March 2012.

At the Case Management held on 13 February 2012 in relation to the Third Party's application to set aside the Third Party Notice and Statement of Claim by the Defendant, the High Court had fixed the matter for further Case Management on 5 March 2012. At the Case Management held on 5 March 2012, as the Judge had recused himself, the High Court would transfer the matter to another court and inform the parties once new date had fixed for the said matter. The Company's Solicitors had on 15 March 2012 informed that the High Court had by way of letter dated 14 March 2012 informed the parties that the case would be heard by a new Judge and the matter was fixed for Case Management on 16 March 2012. At the Case Management held on 16 March 2012, the High Court had fixed the matter for further Case Management on 20 April 2012.

In the PNHB's earlier separate announcements on SPLASH case (Kuala Lumpur High Court Civil Suit No: D-22NCC-398-2009) in Note 32(b), the Court of Appeal had fixed 20 February 2012 for clarification of its decision dated 30 June 2011 and that the application for leave by SPLASH to appeal to the Federal Court arising from the decision of the Court of Appeal dated 30 June 2011 had been fixed for Case Management on 23 February 2012 at the Federal Court.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

At the mention held on 13 February 2012, the High Court had adjourned the matter in relation to the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2 to 5 March 2012, pending the clarification at the Court of Appeal and the trial at the Federal Court in the SPLASH case.

On 5 March 2012, the learned Judge recused himself from hearing the matter in relation to the Plaintiff's application for trial of preliminary issues pursuant to Order 33 Rule 2. Accordingly, the case will be referred for transfer to another court and a new date to be advised by the High Court Registry in due course. The trial dates tentatively fixed from 19 March 2012 to 21 March 2012 had been vacated.

The High Court had by way of a letter dated 14 March 2012 informed the parties that the case would be heard by a new Judge and the matter was fixed for Case Management on 16 March 2012 which was subsequently further fixed to 20 April 2012.

On 20 April 2012, the parties informed the Court that they have no objection that the learned Judge was hearing the matter. The Court directed as follows:-

- (i) The application by the Third Party Notice and the Statement of Claim against the Third Party is fixed for hearing on 28 June 2012 with submissions in reply (if any) to be filed on or before 15 June 2012; and
- (ii) The Plaintiff's application for trial of Preliminary Issues pursuant to Order 33 Rule 2 is fixed for hearing on 10 August 2012.

The Plaintiff's application for interim payment was fixed for Mention on 10 August 2012.

On 28 June 2012, the High Court had fixed the application by the Third Party to set aside the Third Party Notice and the Statement of Claim against the Third Party for further hearing on 3 July 2012.

At the hearing held on 3 July 2012 in relation to the application by the Third Party to set aside the Third Party Notice and the Statement of Claim against the Third Party, the High Court had adjourned the matter to 31 July 2012 for decision.

On 31 July 2012, the High Court had allowed the Third Party's application to set aside the Third Party Notice and the Statement of Claim issued against the Third Party by the Company with costs of RM10,000 and the Company was currently taking legal advice on whether to appeal the decision to the Court of Appeal.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The Company's Solicitors had on 2 August 2012 filed the Notice of Appeal at the Court of Appeal against the decision by the High Court on 31 July 2012 to allow the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party.

At the hearing held on 10 August 2012 on the Plaintiff's application for trial of Preliminary Issues pursuant to Order 33 Rule 2, the High Court had adjourned the Application for continued hearing on 23 August 2012 and had also fixed the Application for decision on 3 September 2012.

The High Court had also at the mention held on 10 August 2012 on the Plaintiff's application for interim payment, fixed the next mention on 3 September 2012.

On 3 September 2012, the High Court had allowed the Plaintiff's application for trial of Preliminary Issues pursuant to Order 33 Rule 2 with costs in the cause with directions. The High Court had further fixed the matter for trial on 5 September 2012 to fix Case Management dates.

The High Court had at the mention held on 3 September 2012 on the Plaintiff's application for interim payment, fixed the matter for Case Management on 5 September 2012.

At the Case Management held on 5 September 2012 on the Plaintiff's application for Trial of Preliminary Issues pursuant to Order 33 Rule 2, the Company's Solicitors informed the High Court that by a Notice of Assignment dated 15 August 2012. The Company was informed by the Plaintiff that by a Deed of Assignment dated 10 August 2012, the Plaintiff had assigned to Maybank Investment Bank Berhad its rights title and interest under the Novation Agreement dated 15 February 2005 and in view of this latest development, the Company will be making an application to reamend its Defence and

The High Court had adjourned the Case Management of the action and the Plaintiff's application for interim payment to 2 October 2012, pending filing of the Company's application to reamend its Defence and Counterclaim.

At the Case Management held on 13 September 2012, the Court of Appeal had fixed the matter in relation to the appeal made by the Company against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party, for hearing on 27 November 2012. The Court of Appeal also directed that the appeal record be filed on or before 27 September 2012.

On 2 October 2012, the High Court had fixed 8 November 2012 for hearing of the Company's application to reamend its Defence and Counterclaim to enable parties to exhaust the filing of Affidavits and fixed the next Case Management of the action and the Plaintiff's application for interim payment on 8 November 2012.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)****(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)**

On 8 November 2012, the High Court had allowed the Company's application to reamend its Defence and Counterclaim with costs in the cause. The High Court had directed the Company to reamend its Defence and Counterclaim within seven (7) days from 8 November 2012. The High Court had given the Plaintiff the liberty to make consequential amendments to its amended reply to Defence and Defence to Counterclaim within fourteen (14) days from the date of service of the Company's reamended Defence and Counterclaim.

The High Court also fixed the trial dates on 22 April 2013, 23 April 2013 and 24 April 2013 and Case Management of the action and the Plaintiff's application for interim payment on 30 November 2012.

On 26 November 2012, following the application made by the counsel of the Third Party to the Court of Appeal on 20 November 2012, the Company's Solicitors were informed by the counsel of Defendant vide a letter dated 23 November 2012 that the Court of Appeal had granted adjournment and vacated the hearing fixed on 27 November 2012 in relation to the appeal made by the Company against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party, to a date to be fixed by the Court of Appeal in due course.

At the Case Management held on 30 November 2012, the High Court had fixed further Case Management on 4 January 2013 for the Plaintiff's application for interim payment and the Plaintiff to file the reamended reply and Defence to counter claim.

On 7 December 2012, the Company had been informed by its Solicitors on even date that the Court of Appeal had fixed the hearing for the appeal made by the Company against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party on 7 January 2013.

At the Case Management held on 4 January 2013, the High Court had fixed 12 March 2013 for the following:-

- (i) Case Management for the Plaintiff's application for interim payment;
- (ii) Hearing for the Company's application to strike out the Plaintiff's claim; and
- (iii) Case Management of the main action.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The Court of Appeal had adjourned the hearing fixed on 7 January 2013 for the appeal made by the Company against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party to 21 January 2013.

At the hearing held on 21 January 2013, the Court of Appeal had dismissed the appeal made by the Company against the decision by the High Court on 31 July 2012 allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party with cost. The Company is currently seeking advice from its Solicitors on the next course of action arising from the said decision.

On 20 February 2013, the Company filed the notice of motion for leave to appeal against the decision made by the Court of Appeal on 21 January 2013 to the Federal Court.

The High Court had on 12 March 2013 adjourned the hearing for Company's application to strike out the Plaintiff's claim to 20 March 2013 to enable the parties to prepare their submissions in reply. The High Court had also fixed 20 March 2013 for the following:-

- (i) Case Management for the Plaintiff's application for interim payment; and
- (ii) Case Management of the main action.

In relation to the Company's application for leave to appeal to the Federal Court against the decision made by the Court of Appeal dated 21 January 2013 whereby, the Court of Appeal had dismissed the Company's appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company's against the Third Party, the Federal Court had via a letter dated 14 March 2013 fixed the matter for Case Management on 27 March 2013.

The matters at the High Court on 20 March 2013 was fixed for the following:-

- (i) Hearing of the Company's application to strike out the Plaintiff's claim;
- (ii) The Plaintiff's application to stay proceedings and to strike out the Company's application to strike out the Plaintiff's claim and the Company's Defence and Counterclaim;
- (iii) Case Management of the main action; and
- (iv) Case Management on the Plaintiff's application for interim payment.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The High Court had on 20 March 2013 adjourned the proceedings to 29 March 2013 for Case Management to enable the parties to exhaust their Affidavits and to revert to High Court of the parties were proceeding with the applications. This was pursuant to the Plaintiff saving their application to stay proceedings and to strike out the Company's application to strike out the Plaintiff's claim and the Company's Defence and Counterclaim on 19 March 2013 following which Company had on 20 March 2013 filed their Affidavit in reply.

The High Court had adjourned the proceedings to 29 March 2013 for Case Management to enable the parties to exhaust their Affidavits and to revert to the Kuala Lumpur High Court if the parties were proceeding with the applications.

At the Case Management held on 27 March 2013, the Federal Court had fixed 28 August 2013 for hearing of the Company's motion for leave to appeal against the decision of the Court of Appeal dated 21 January 2013.

At the Case Management held on 29 March 2013, Plaintiff and the Company informed the High Court that they were proceeding with the Company's application to strike out the Plaintiff's claim and the Plaintiff's application to stay proceedings and to strike out the Company's application to strike out the Plaintiff's claim and the Company's Defence and Counterclaim.

The High Court had fixed the Case Management for both the applications on 17 April 2013. As the trial had been fixed on 22 April 2013, 23 April 2013 and 24 April 2013, the High Court fixed Case Management for the trial on 8 April 2013 and 17 April 2013.

At the Case Management held on 8 April 2013, the High Court had fixed the Company's application to strike out the Plaintiff's claim and the Plaintiff's application to stay proceedings and to strike out the Company's application to strike out the Plaintiff's claim and the Company's Defence and Counterclaim for hearing on 24 April 2013. The High Court maintained the Case Management for both the applications on 17 April 2013, as previously announced.

The High Court vacated the Case Management for trial on 17 April 2013 and the trial dates fixed on 22 April 2013, 23 April 2013 and 24 April 2013 pending the disposal of the Company's application for leave to appeal at the Federal Court which had been fixed for hearing on 28 August 2013 and further fixed the Case Management for trial on 4 September 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

At the Case Management held on 17 April 2013, the Kuala Lumpur High Court had vacated the hearing fixed on 24 April 2013 in respect of the following:-

- (i) The Company's application to strike out the Plaintiff's Writ of Summons & Statement of Claim dated 28 March 2011 filed based on the assignment given by the Plaintiff to the Security Agent vide Deed of Assignment dated 23 August 2012 whereby the Plaintiff had absolutely and irrevocably assigned its right to receive payments from the Defendant to the Security Agent; and
- (ii) The Plaintiff's application to stay proceedings and to strike out the Company's application to strike out Plaintiff's claim and the Company's Defence and Counterclaim pursuant to the Plaintiff's contention that the Company had similarly executed an assignment of its legal rights, title, benefits and interest of its assigned properties to the Company's Security Agent.

The Kuala Lumpur High Court had further fixed the Case Management on the abovementioned applications on 4 September 2013 pending the disposal of the Company's application for leave to appeal at the Federal Court against the decision made by the Court of Appeal dated 21 January 2013, whereby the Court of Appeal had dismissed the Company's appeal against the decision of the High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party.

At the hearing held on 28 August 2013, the Federal Court had allowed the Company's motion for leave to appeal against the decision of the Court of Appeal dated 21 January 2013 with costs to follow the event of the appeal.

The Court of Appeal had previously dismissed the Company's appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party.

At the Case Management held on 4 September 2013, the Kuala Lumpur High Court had fixed the matter for further Case Management on 28 November 2013.

The Federal Court vide a letter dated 25 October 2013 had fixed 14 November 2013 for Case Management of the appeal filed by the Company against the decision of the Court of Appeal dated 21 January 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

At the Case Management held on 14 November 2013, the Federal Court had fixed 13 January 2014 as the next Case Management date for the Appeal filed by the Company against the decision of the Court of Appeal dated 21 January 2013. The Court of Appeal had previously dismissed the Company's appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party. However, during the hearing on 28 August 2013, the Federal Court granted leave to the Company to appeal against the said decision of the Court of Appeal.

At the Case Management on 28 November 2013, the Kuala Lumpur High Court had fixed the matter for further Case Management on 27 January 2014, pending the disposal of the Appeal filed by the Company against the decision of the Court of Appeal dated 21 January 2013.

The Federal Court had brought forward the Case Management on the Appeal filed by the Company against the decision of the Court of Appeal dated 21 January 2013 from 13 January 2014 to 31 December 2013.

At the Case Management held on 31 December 2013, the Federal Court fixed the Appeal filed by the Company against the decision of the Court of Appeal dated 21 January 2013 for hearing on 7 April 2014.

At the Case Management on 27 January 2014, the Kuala Lumpur High Court fixed the matter for further Case Management on 9 April 2014 to update the Kuala Lumpur High Court on the status of the Federal Court Appeal and the present suit.

The Federal Court had on 7 April 2014 adjourned the hearing of the Third Party's Motion to strike out the Company's appeal (which was filed on 3 April 2014 together with Affidavit in support affirmed by the Third Party's Chief Minister, Tan Sri Dato' Seri Abd Khalid bin Ibrahim and was fixed for hearing on 7 April 2014) and hearing of the appeal filed by the Company against the decision of Kuala Lumpur High Court dated 21 January 2013 (which had dismissed the Company's appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party) to 9 April 2014 to enable the Third Party to file their Affidavit in reply to the Company's Affidavit affirmed by the Company's Chief Executive Officer, Dato' Ruslan Hassan, on 4 April 2014 in relation to the motion to strike out the Company's appeal.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(d) Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 - ABASS vs SYABAS (contd)

The Federal Court had on 9 April 2014 adjourned the hearing of the Third Party's motion to strike out the Company's appeal and the appeal filed by the Company against the decision of Kuala Lumpur High Court dated 21 January 2013 (which had dismissed the Company's appeal against the decision of the Kuala Lumpur High Court on 31 July 2012 in allowing the Third Party's application to set aside the Third Party Notice and Statement of Claim filed by the Company against the Third Party) to 7 July 2014 to enable the Company to file their Affidavit in reply to the Affidavit affirmed by the Third Party's Chief Minister, Tan Sri Dato' Seri Abd Khalid Bin Ibrahim which was served on the Company on 9 April 2014 relation to the Third Party's motion to strike out the Company's appeal.

On 9 April 2014, the Company's solicitors informed the Kuala Lumpur High Court that the hearing of the appeal filed by the Company against the decision of Court of Appeal dated 21 January 2013 and the hearing of the motion filed by the Third Party to strike off the Company's appeal had been rescheduled to 9 April 2014. The Kuala Lumpur High Court went on to fix the matter for further Case Management on 18 April 2014 pending disposal of the Company's appeal and motion to strike out the Company's appeal filed by the Third Party at the Federal Court.

(e) Kuala Lumpur High Court Civil Suit No: 22NCC-1336-08/2012 - PNSB vs SYABAS

On 30 August 2012, PNSB ("the Plaintiff") had instituted legal proceedings against the Company via the filing of a Writ of Summons and Statement of Claim dated 30 August 2012 at the High Court for amount due for payment as of 30 April 2012 for the supply and purchase of treated water ("Amount Due as of 30 April 2012").

In the Statement of Claim, the Plaintiff had claimed the following:-

- (i) The amount due for payment of RM1,211,157,000 being the unpaid due amount accrued as of 30 April 2012; in the alternative, the amount due for payment of RM1,072,726,000 being the unpaid due amount accrued as of 30 April 2012;
- (ii) Alternatively, such other sum or sums as may be assessed by the Honourable Court to be due to the Plaintiff from the Company as at 30 April 2012;
- (iii) Further, all sums arising and due to the Plaintiff from the Company under the provisions of the Water Supply Agreements accruing after 30 April 2012 until the date of Judgment;
- (iv) Costs;
- (v) Interest; and

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

- (e) Kuala Lumpur High Court Civil Suit No: 22NCC-1336-08/2012 - PNSB vs SYABAS (contd.)

In the Statement of Claim, the Plaintiff had claimed the following (contd):-

- (vi) Such further and alternative reliefs as the Honourable Court deems fit and proper.

The Solicitors of the Plaintiff had on 4 September 2012 served on the Company the Writ of Summons and Statement of Claim dated 30 August 2012 for amount due as of 30 April 2012.

The High Court had fixed the matter for Case Management on 21 September 2012.

The Company's Solicitors had filed a Memorandum of Appearance on behalf of the Company on 14 September 2012 and the said Memorandum of Appearance was served on the Plaintiff's Solicitors on 18 September 2012. At the Case Management of this matter held on 21 September 2012, a further Case Management date of 8 November 2012 was fixed pending the Company's filing of its Statement of Defence. The Company filed its Statement of Defence on 17 October 2012 and had subsequently filed the Amended Statement of Defence dated 25 October 2012.

On 30 October 2012, in addition to the Defence which was filed by the Company on 17 October 2012 as previously announced, the Company's Amended Defence dated 25 October 2012 had been served on the Plaintiff's Solicitors on 25 October 2012.

On 8 November 2012, the High Court had directed the Plaintiff to file its reply to the Company's Amended Defence dated 25 October 2012 by 22 November 2012. The High Court had also fixed the next Case Management date on 3 December 2012.

At the Case Management held on 3 December 2012, the High Court had fixed the matter for further Case Management on 16 January 2013 and 8 July 2013 and also fixed the trial dates on 15 July 2013, 16 July 2013, 17 July 2013 and 18 July 2013.

The Plaintiff had filed an application for discovery of document against the Company and the matter was fixed for Case Management on 27 May 2013.

At the Case Management held on 27 May 2013, the High Court had fixed the hearing for the Plaintiff's application for discovery of documents against the Company on 20 June 2013.

At the hearing held on 20 June 2013, the Kuala Lumpur High Court had fixed the Plaintiff's application for discovery of documents against the Company for decision on 25 June 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)****(e) Kuala Lumpur High Court Civil Suit No: 22NCC-1336-08/2012 - PNSB vs SYABAS (contd.)**

At the decision held on 25 June 2013, the Kuala Lumpur High Court had dismissed the Plaintiff's application for discovery of documents against the Company with costs payable by the Plaintiff to the Company.

At the Case Management held on 8 July 2013, the Kuala Lumpur High Court had directed the Parties to file their respective witness statements on 10 July 2013.

On 15 July 2013, the Kuala Lumpur High Court had vacated the trial dates fixed on 15 July 2013, 16 July 2013, 17 July 2013 and 18 July 2013, and rescheduled the trial to 11 November 2013, 12 November 2013, 13 November 2013 and 14 November 2013. The Kuala Lumpur High Court had also fixed the matter for Case Management on 17 September 2013.

On 15 July 2013, the Plaintiff had filed an appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 had dismissed the Plaintiff's application for discovery of documents against the Company.

On 16 July 2013, the Plaintiff's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissing the Plaintiff's application for discovery of documents against the Company, had been fixed for Case Management on 20 August 2013.

On 29 July 2013, the Kuala Lumpur High Court had vacated the trial dates fixed on 11 November 2013, 12 November 2013, 13 November 2013 and 14 November 2013, and rescheduled the trial to 25 November 2013, 26 November 2013, 27 November 2013 and 28 November 2013. The Case Management fixed for the matter on 17 September 2013 remain unchanged.

At the Case Management held on 20 August 2013, the Kuala Lumpur High Court had fixed the hearing for the Plaintiff's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court on 25 June 2013 dismissing the Plaintiff's application for discovery of documents against the Company on 21 October 2013.

At the Case Management held on 17 September 2013, the Kuala Lumpur High Court had fixed the matter for a further Case Management on 24 October 2013.

The Court of Appeal had on 21 October 2013 adjourned the hearing fixed for the Plaintiff's appeal to the Court of Appeal against the decision of the Kuala Lumpur High Court dated 25 June 2013 to 6 November 2013 pending discussions on settlement by the parties.

At the Case Management held on 24 October 2013, the Kuala Lumpur High Court had fixed the matter for further Case Management on 13 November 2013.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

(e) Kuala Lumpur High Court Civil Suit No: 22NCC-1336-08/2012 - PNSB vs SYABAS (contd.)

At the hearing held on 6 November 2013, the Court of Appeal had disallowed the Plaintiff's appeal to obtain discovery of documents from the Company particularly the Management Accounts and the Management Financial Statements for the years 2010 to 2013.

At the Case Management held on 13 November 2013, the Kuala Lumpur High Court was informed of the Court of Appeal's decision during the hearing held on 6 November 2013, which dismissed the Plaintiff's appeal to obtain discovery of documents from the Company particularly the Management Accounts and the Management Financial Statements for the year 2010 to 2013. Further, upon request by the Plaintiff's counsel, the Kuala Lumpur High Court had directed that the trial dates fixed on 25 November 2013, 26 November 2013 and 27 November 2013 to be maintained but vacated the trial date on 28 November 2013.

The Suit came up for trial on 25 November 2013. In brief, the Kuala Lumpur High Court ordered, amongst others, as follows:-

- (i) As of 30 June 2013 an amount of RM1,510,976,000 was due and owing by the Company to the Plaintiff (being the total monthly outstanding sum for the supply in bulk of treated water as of 30 June 2013) ("Outstanding Sum");
- (ii) Any issues and/or claims arising from the Late Payment Interest under the provisions of the Water Supply Agreements ("Interest Claim") shall be, if not resolved, to be finally and completely resolved by arbitration;
- (iii) The Company to pay the Outstanding Sum and the Interest Claim (in the event the Arbitral Tribunal ruled in favour of the Plaintiff) to the Plaintiff in the event the Company was in the financial position to make payment to the Plaintiff; and
- (iv) No order as to costs.

With the Order, the Kuala Lumpur High Court vacated the hearing dates of 26 November 2013 and 27 November 2013.

This case had been settled.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (f) Kuala Lumpur High Court Civil Suit No: S6-22-1479-2003 - Dr Manjit Kaur a/p Amar Singh vs PUAS

On 23 September 2003, a Writ of Summon had been filed in the Kuala Lumpur High Court ("High Court") by Dr Manjit Kaur Amar Singh ("the Plaintiff") against PUAS ("the Defendant") for an amount of RM323,000 for damages to the Plaintiff's premises due to leakage of an underground water pipe owned by the Defendant. The case was fixed for Case Management at the High Court on 24 June 2008 and fixed for trial on 19 October 2009 to 23 October 2009.

The matter was further fixed for trial on 3 February 2010 and postponed to 26 August 2010 for next Case Management. The matter had been fixed for mediation on 23 September 2010. The Deputy Registrar had further fixed the matter for mediation on 19 October 2010. The matter had been fixed for Case Management before the Learned Judge of the High Court on 27 October 2010. The Case Management was subsequently fixed on 4 January 2011.

The matter was also fixed for trial on 24 January 2011 to 26 January 2011. The judge stated that mediation will be conducted in the morning of 24 January 2011 and should the parties fail to reach an amicable settlement, trial will then commence on the same day. On 4 January 2011, the Judge struck off the Plaintiff's case against the Defendant as the Plaintiff had not complied with the Judge's directions given on 27 October 2010. The Plaintiff had appealed to the Court of Appeal against the High Court Judge's decision to strike out the case. On 22 January 2011, the Plaintiff's Solicitors wrote in to the Court of Appeal to request for extension of time to file in the Record of Appeal. On 25 February 2011, the request for extension of time to file Record of Appeal was granted.

Via letter dated 1 November 2012, the Court of Appeal had fixed the hearing date of the Appeal on 3 December 2012. On 3 December 2012, the Court of Appeal had allowed the Plaintiff's appeal and the matter was reinstated at the High Court. Via letter dated 27 February 2013, the High Court fixed 15 March 2013 as Case Management date.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

32. MATERIAL LITIGATIONS (CONTD.)

- (f) Kuala Lumpur High Court Civil Suit No: S6-22-1479-2003 - Dr Manjit Kaur a/p Amar Singh vs PUAS

On 15 March 2013, the High Court fixed 17 April 2013 as next Case Management date. On 17 April 2013 High Court fixed 25 April 2013 as next Case Management date. On 25 April 2013 the High Court fixed 4 June 2013 as next Case Management date. On 4 June 2013 the High Court fixed 19 June 2013 as next Case Management date. On 19 June 2013, the High Court fixed 26 June 2013 as next Case Management date. On 26 June 2013, the High Court fixed the next Case Management date on 12 July 2013. On 12 July 2013, the High Court fixed 26 July 2013 as next Case Management date and fixed 23 September 2013 as trial date. The court vacated 26 July 2013 and fixed 6 September 2013 as next Case Management date. The court fixed 17 September 2013 as next Case Management date. On 17 September 2013, the High Court fixed 23 September 2013 as next Case Management date. On 23 September 2013, parties entered into a consent judgment and requiring the Company to pay cost of RM160,000 as full and final settlement to the Plaintiff.

This case had been settled.

- (g) Kuala Lumpur High Court Civil Suit No: S2-22-247-2006 - Tenaga Nasional Berhad vs Zali Enterprise & PUAS

On 21 March 2006, a Writ of Summon had been filed by Tenaga Nasional Berhad ("the Plaintiff") against Zali Enterprise ("the First Respondent") and PUAS ("the Second Respondent") claiming for an amount of RM1,418,000 for an alleged damage to its underground cables during pipe replacement works done by the First Respondent as the Second Respondent's contractor.

The Plaintiff had filed an application at Court to include RM10,000,000 for exemplary damages. Even though the Second Respondent Solicitors had objected to the said application, the Court had allowed the Plaintiff's application.

On 30 August 2007, the Court had directed the parties to file their written submission. The Decision on the Plaintiff's application to amend their Statement of Claim was fixed on 2 November 2007 and the Court had allowed the Plaintiff's application to amend their statement of claim. The matter was further fixed for Case Management on 12 May 2009.

The court had fixed 7 January 2010 for Case Management. The Court had then fixed 2 August 2010 for further Case Management and subsequently adjourned to 26 August 2010 for further Case Management cum Mention. The Case Management cum Mention had further fixed on 9 November 2010 and 7 February 2011 and the Court had also fixed 17 February 2011 and 18 February 2011 for trial. On 7 February 2011, the matter was referred to the Assistant Registrar as the appointed Judge was assigned to hear post 2010 cases and the Court had fixed 11 March 2011 pending the re-assignment. Further, the Court had fixed 4 April 2011 for Case Management and the Court directed the parties to file in Witness Statement before the date. On 4 April 2011, the Court had fixed 19 May 2011 and 20 May 2011 for trial.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**32. MATERIAL LITIGATIONS (CONTD.)**

- (g) Kuala Lumpur High Court Civil Suit No: S2-22-247-2006 - Tenaga Nasional Berhad vs Zali Enterprise & PUAS (contd.)

The Court had fixed 30 June 2011 for decision, whereby at the said date the court dismissed the Plaintiff's claims with costs. On 28 July 2011, the Plaintiff filed in their Notice of Appeal. The Court fixed 18 March 2013 as the hearing date of the Appeal. On 18 March 2013, the Court of Appeal dismissed the Plaintiff's appeal with cost of RM10,000 awarded to the First Respondent and RM10,000 awarded to the Second Respondent. No further appeal was filed by the Plaintiff.

This case had been settled.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

33. CAPITAL MANAGEMENT AND GEARING RATIO DISCLOSURE

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value with optimal capital structure.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To adjust the capital structure, the Group and the Company do not recommend any dividend for the financial year ended 31 December 2013. No changes were made in the objectives, policies or processes during the year ended 31 December 2013.

The Board tabulates its Debt/Equity ratio in accordance with the requirement under clause 7.1(a) of RM3 billion Bai Bithaman Ajil Commercial Papers and Medium Term Notes Agreements dated 19 September 2005, as listed below:

	2013 RM'000	2012 RM'000
Total debt (including nominal value of BAMTN, RM410 million and RM250 million Term Loans, and obligation under finance lease)	3,115,480	3,115,744
Total equity (including paid-up capital, nominal value of RCULS, government grant, and RPS)	1,351,027	1,344,797
Debt/Equity ratio	70% : 30%	70% : 30%

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T

34. COMPARATIVE INFORMATION

The following comparative information have been restated:

	As previously reported RM'000	Company Reclassification RM'000	As restated RM'000
31 December 2012			
Statement of financial position:			
Non-current assets			
Service concession assets (Note 34(a))	7,605,646	109,172	7,714,818
Deferred tax assets (Note 34(b))	663,097	(55,504)	607,593
Current assets			
Trade and other receivables			
(Note 34(a) and 34(c))	287,772	(36,649)	251,123
Non-current liabilities			
Loans and borrowings (Note 34(d))	3,579,462	71,946	3,651,409
Current liabilities			
Trade and other payables (Note 34(c) and 34(d))	1,484,749	580	1,485,329
Equity and liabilities			
Accumulated losses (Note 34(b))	(2,042,449)	(55,504)	(2,097,953)
Other comprehensive (expenses)/income:			
Actuarial losses on defined benefit plan (Note 34(e))	(1,386)	347	(1,039)
Income tax effect (Note 34(e))	347	(347)	-

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

SYARIKAT BEKALAN AIR SELANGOR SDN BHD (Incorporated in Malaysia) - 393257-T**34. COMPARATIVE INFORMATION (CONTD.)**

- (a) Amount due from a subsidiary which arose from assuming the liabilities of PUAS under the Concession Agreement with the State Government have been capitalised as SCA as the cost to acquire the concession.
- (b) Deferred tax liabilities arising from the temporary difference on the profit margin on concession assets were under recognised in the prior years.
- (c) Negative balances which were previously presented as a net of trade receivables have been reclassified to other payables.
- (d) Dividend payable on RPS was previously classified as current payable has been reclassified to non-current loans and borrowings.
- (e) Following the adoption of MFRS 119 (2011), during the year, actuarial gains and losses are recognised immediately in other comprehensive income. The adjustments were made retrospectively.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 April 2014.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)



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393257-T

**Independent auditors' report to the members of
Syarikat Bekalan Air Selangor Sdn Bhd
(Incorporated in Malaysia)
and its subsidiary**

Report on the Financial Statements

We have audited the financial statements of Syarikat Bekalan Air Selangor Sdn. Bhd., which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 138.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)

**393257-T**

**Independent auditors' report to the members of
Syarikat Bekalan Air Selangor Sdn Bhd
(Incorporated in Malaysia)
and its subsidiary**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4(b), Note 4(d), Note 6 and Note 32(c) which describe the recognition of water tariff compensation of RM1,069,382,000 in profit or loss during the financial year and the water tariff compensation balance due from the Selangor State Government amounting to RM3,404,375,000 as at 31 December 2013. The timing and quantum of recovery of the aforesaid compensation are highly dependent on the final outcome of the on-going legal proceeding that has been instituted by the Company against the State Government.

Comparative Information

Without qualifying our opinion, we also draw attention to Note 34 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2012 has been restated.

The financial statements of the Company as at and for the years ended 31 December 2012 and 31 December 2011 (from which the statement of financial position as at 1 January 2012 has been derived), excluding the adjustments described in Note 34 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2013.

As part of our audit of the financial statements as at and for the year ended 31 December 2013, we audited the adjustments described in Note 34 that were applied to restate the comparative information presented as at and for the year ended 31 December 2012 and the statement of financial position as at 1 January 2012. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2012 or 31 December 2011 (not presented herein) or to the statement of financial position as at 1 January 2012, other than with respect to the adjustments described in Note 34 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on the aforesaid respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 34 are appropriate and have been properly applied.

AUDITED FINANCIAL STATEMENTS OF SYABAS FOR FYE 2013 (Cont'd)



393257-T

**Independent auditors' report to the members of
Syarikat Bekalan Air Selangor Sdn Bhd
(Incorporated in Malaysia)
and its subsidiary**

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other matters

As stated in Note 3.1(a) to the financial statements, the Company presented its first consolidated financial statements for the year ended 31 December 2013. We were not engaged to report on the comparative information that is prepared, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the year ended 31 December 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2013 do not contain misstatements that materially affect the financial position as of 31 December 2013 and financial performance and cash flows for the year then ended.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm No: AF 0758

Chartered Accountants

17 April 2014

Petaling Jaya, Malaysia

Thong Foo Vung

Approval Number: 2867/08/14(J)

Chartered Accountant

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries, and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENTS**2.1 Principal Adviser**

HLIB, being the Principal Adviser for the Proposed Disposals has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

2.2 Independent Adviser

KAF Investment, being the Independent Adviser for the Proposed Disposals has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

2.3 Reporting Accountants

Messrs. KPMG, being the Reporting Accountants for the Proposed Disposals has given and has not subsequently withdrawn its written consent to the inclusion of its name and letter on the proforma consolidated statements of financial position of our Group and all references thereto in the form and context in which they appear in this Circular.

2.4 Independent Valuer

Moore Stephens Associates PLT, being the Independent Valuer for the Proposed Disposals has given and has not subsequently withdrawn its written consent to the inclusion of its name and Valuation Letters and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICTS OF INTERESTS**3.1 Principal Adviser**

HLIB has given its written confirmation that it is not aware of any conflict of interest which exist or is likely to exist in its capacity as the Principal Adviser for the Proposed Disposals.

3.2 Independent Adviser

KAF Investment has given its written confirmation that it is not aware of any conflict of interest which exist or is likely to exist in its capacity as the Independent Adviser for the Proposed Disposals.

3.3 Reporting Accountants

Messrs. KPMG has given its written confirmation that it is not aware of any conflict of interest, which exists or is likely to exist in its capacity as the Reporting Accountants for the Proposed Disposals.

FURTHER INFORMATION (Cont'd)

3.4 Independent Valuer

Moore Stephens Associates PLT has given its written confirmation that it is not aware of any conflict of interest, which exists or is likely to exist in its capacity as the Independent Valuer for the Proposed Disposals.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**4.1 Material commitments**

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group.

Capital expenditure as at the LPD is as follows:

RM'000

Contracts approved and contracted for	29,266

4.2 Contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities which may, upon being enforceable, have a material adverse effect on our Group's financial position.

Tax penalty - PNSB

PNSB recognised all the invoices issued to SYABAS in its profit or loss for the supply of treated water as revenue.

PNSB had appealed to the Inland Revenue Board to revise the tax computations for YA2009 to YA2011 to take into account the following tax adjustments:

- (i) to claim a deduction under Section 34(2) of the ITA in respect of the amount owing from SYABAS for treated water supplied which was not collectible as at end of the basis period for YA2009 to YA2011 respectively; and
- (ii) to include as gross income and subject to tax on the bad and doubtful debts claimed as tax deduction under item (i) above which was recovered from SYABAS in the subsequent years of assessment pursuant to Section 30(1) of the ITA, i.e. when the payment is received from SYABAS, it will become taxable.

PNSB had fully paid all the tax instalments for YA2009, YA2010 and YA2011 and is appealing for tax refund from IRB.

IRB had replied to PNSB's petition of appeal on 5 August 2013 wherein IRB had requested PNSB to prove that the amount owing by SYABAS is bad debts pursuant to Section 34(2) of the Act. PNSB's tax solicitors had replied to IRB and the matter is now awaiting for a case management date.

PNSB had submitted a RM Nil tax payable for YA2012 and estimated the tax payable for YA2013 based on the same approach as the tax appeal above. Nevertheless, deferred tax liabilities have been provided accordingly.

In the event that IRB does not grant approval to PNSB to claim a deduction under Section 34(2) of the ITA in respect of amount owing from SYABAS for treated water supplied, PNSB will be exposed to a potential tax penalty under Section 107C(10) of the ITA for YA2012 in respect of late payment of tax. PNSB had expressed its awareness on the matter and the final outcome will be based on IRB's decision on the matter.

FURTHER INFORMATION (Cont'd)

As at the reporting date, there is a potential tax penalty, pending the outcome of PNSB's appeal to IRB. PNSB's appeal for the Special Commission of Income Tax is fixed for hearing on 7, 8 and 9 April 2015.

5. MATERIAL LITIGATION

Save as disclosed below and Section 9, Appendix I of this Circular, our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, and our Board has no knowledge of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of our Group.

5.1 Kris Heavy Engineering & Construction Sdn Bhd ("KHEC")**(1) The First Arbitration Proceedings**

KHEC, a sub-contractor for the Chennai Water Supply Augmentation Project 1 - Package III ("**Chennai Project**"), has initially referred certain disputed claims 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 our 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).

Our Company was notified on 4 March 2009 by solicitors acting on behalf of the 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.

Our 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.

FURTHER INFORMATION (Cont'd)

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.

The Arbitration Panel has fixed the continued hearing dates 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.

The counsel in India acting for the PNHB-Lanco members of the Consortium had advised that there is a reasonable chance of success for the case.

(2) The Second Arbitration Proceedings

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

FURTHER INFORMATION (Cont'd)

The Second Arbitration proceedings which were heard by a single arbitrator have been completed wherein the parties have submitted their respective written submissions. This matter is now pending award by the Arbitrator.

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 Rs58 Lakhs amounting to Rs14,62,503 (approximately RM83,627.38) only to the claimant, KHEC 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 Rs14,62,503 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 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 had postponed the hearing of the Petition filed by KHEC to 3 December 2013.

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

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

The counsel in India acting for the PNHB-Lanco members of the Consortium had advised that there is a reasonable chance of success for the case.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our Registered Office at 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (except for public holidays) from the date of this Circular up to and including the date of the EGM:

- (i) Memorandum and Articles of Association of PNHB, PNSB and SYABAS;
- (ii) the audited consolidated financial statements of PNHB for the past two (2) FYE 31 December 2012 and 2013 as well as the latest unaudited quarterly result for the 9-month FPE 30 September 2014;
- (iii) the audited financial statements of PNSB and SYABAS for the past two (2) FYE 31 December 2012 and 2013;
- (iv) the Reporting Accountant's letter on the proforma consolidated statements of financial position of our Group as set out in Appendix III of this Circular;
- (v) the Valuation Letters as set out in Appendix V of this Circular;
- (vi) the SPA;

FURTHER INFORMATION (*Cont'd*)

- (vii) the letters of consent referred to in Section 2 above; and
- (viii) the relevant cause papers in respect of the material litigation as disclosed in Section 9 of Appendix I, Section 9 of Appendix II and Section 5 of Appendix VIII of this Circular.

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PUNCAK NIAGA HOLDINGS BERHAD

(Company No.: 416087-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Puncak Niaga Holdings Berhad (“PNHB” or “Company”) will be held at Concorde I, Concorde Hotel Shah Alam, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 7 January 2015, at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification(s):

SPECIAL RESOLUTION 1

PROPOSED DISPOSALS BY PNHB OF THE FOLLOWING:

- (I) **THE ENTIRE EQUITY INTEREST AND CUMULATIVE CONVERTIBLE REDEEMABLE PREFERENCE SHARES HELD IN PUNCAK NIAGA (M) SDN BHD (“PNSB”) TO PENGURUSAN AIR SELANGOR SDN BHD (FORMERLY KNOWN AS TEMASEK TIASA SDN BHD) (“AIR SELANGOR”) (“PROPOSED PNSB DISPOSAL”); AND**
- (II) **70% EQUITY INTEREST HELD IN SYARIKAT BEKALAN AIR SELANGOR SDN BHD (“SYABAS”) AND RM212.0 MILLION NOMINAL VALUE OF REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS TO AIR SELANGOR (“PROPOSED SYABAS DISPOSAL”)**

FOR A TOTAL CASH CONSIDERATION OF RM1,555.3 MILLION (COLLECTIVELY REFERRED TO AS THE “PROPOSED DISPOSALS”)

“THAT subject to the relevant approvals being obtained from the relevant authorities, approval be and is hereby given for the Company to carry out and to implement all transactions contemplated therein in relation to the following:

- (i) the disposal of the entire equity interest held in PNSB comprising 10,000,000 ordinary shares of RM1.00 each in PNSB and 48,000,000 cumulative convertible redeemable preference shares of RM0.10 each in PNSB to Air Selangor for a total cash consideration of RM1,117.5 million; and
- (ii) the disposal of the 70% equity interest held in SYABAS comprising 45,500,000 ordinary shares of RM1.00 each in SYABAS for a cash consideration of RM225.8 million and RM212.0 million nominal value of redeemable convertible unsecured loan stocks for a cash consideration of RM212.0 million

in accordance with the terms and conditions of the conditional sale and purchase agreement in relation to the Proposed Disposals dated 11 November 2014 between PNHB and Air Selangor.

AND THAT the Board of Directors of the Company be and is hereby authorised to carry out all such acts, deeds and things deemed necessary or expedient to give full effect to implement all transactions contemplated therein in the Proposed Disposals, for and on behalf of the Company and in the best interests of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments to the terms of the Proposed Disposals as may be required by any relevant authorities and to execute, deliver and/or cause to be delivered such documents and agreements in connection therewith.”

ORDINARY RESOLUTION 1

PROPOSED DISTRIBUTION OF A MINIMUM AMOUNT OF RM1.00 PER ORDINARY SHARE OF RM1.00 EACH IN THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY UP TO A MAXIMUM DISTRIBUTION OF RM534.3 MILLION ONLY VIA A SPECIAL CASH DIVIDEND PAYMENT TO THE ENTITLED SHAREHOLDERS OF PNHB AT AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED AT A LATER DATE BY THE BOARD OF DIRECTORS OF THE COMPANY ("PROPOSED DISTRIBUTION")

"**THAT** subject to the passing of Special Resolution 1 above and the completion of the Proposed Disposals, the Board of Directors of the Company be and is hereby authorised to declare and to pay part of the cash consideration received from Air Selangor pursuant to the Proposed Disposals, after the completion of the Proposed Disposals, a special cash dividend of a minimum amount of RM1.00 per ordinary share of RM1.00 each (excluding the treasury shares of the Company) in the issued and paid-up share capital of the Company up to a maximum distribution amount of RM534.3 million only ("Special Dividend") which shall be paid out of the available retained profits account of the Company pursuant to Section 365 of the Companies Act, 1965, to the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced at a later date by the Board of Directors of the Company **AND THAT** the actual amount to be distributed as Special Dividend and the date for the Special Dividend entitlement and the date of the Special Dividend payment thereof to the entitled shareholders of the Company shall be fixed and announced by the Board of Directors of the Company at a later date **AND THAT** the Board of Directors of the Company be and is hereby given full authority and shall have the sole discretion to determine and adjust the final amount of the Special Dividend **AND FURTHER THAT** the Board of Directors of the Company be and is hereby empowered and authorised to take all such steps and do all acts, deeds and things incidental to and/or as deemed necessary, expedient and/or appropriate, for and on behalf of the Company and in the best interests of the Company to give full effect to implement and complete the Proposed Distribution."

BY ORDER OF THE BOARD

Tan Bee Lian (MAICSA 7006285)
Lim Yew Heang (MAICSA 7007653)
Secretaries

Shah Alam
16 December 2014

Notes:-

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 30 December 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Extraordinary General Meeting.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint another person to attend and vote in his stead.
3. A proxy need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
4. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that,
 - (a) where a Member is an authorised nominee as defined in the Central Depositories Act, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
 - (b) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account namely, Omnibus Securities Account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Securities Account it holds with ordinary shares of the Company standing to the credit of the said Omnibus Securities Account.

Where a Member appoints two (2) or more proxies (as the case maybe), the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the power of attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
6. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 82 of the Company's Articles of Association.
7. The instrument appointing the proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.
8. At any general meeting, a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded by either:-
 - (a) the Chairman (being a person entitled to vote); or
 - (b) not less than two Members present in person or by proxy and entitled to vote; or
 - (c) a Member or Members present in person or by proxy and representing not less than one-twentieth of the total voting rights of all the Members having the right to vote at the Meeting; or
 - (d) a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the Meeting being shares on which an aggregate sum has been paid up equal to not less than one-twentieth of the total sum paid up on all the shares conferring that right.
9. A demand for a poll may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn), a declaration by the Chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.
10. No poll shall be demanded on the election of a Chairman or on a question of adjournment. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need to be given of a poll not taken immediately.
11. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
12. **Explanatory Notes on Ordinary Resolution 1: Proposed Distribution**

Subject to the completion of the Proposed Disposals, it is the intention of the Board of Directors of the Company to distribute part of the cash consideration received from Air Selangor pursuant to the Proposed Disposals to the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company on an entitlement date to be determined and announced at a later date by the Board of Directors of the Company via a special cash dividend of a minimum amount of RM1.00 per ordinary share of RM1.00 each in the Company (excluding treasury shares) up to a maximum distribution amount of RM534.3 million only ("Special Dividend") to reward the Company's shareholders for their support of the Company. The actual amount to be distributed as Special Dividend will be determined and announced at a later date by the Board of Directors of the Company upon the passing of the Special Resolution 1 and Ordinary Resolution 1 of this Notice of EGM. The actual amount to be distributed will depend on the total number of shares of the Company in issue as at the entitlement date to be fixed by the Board of Directors of the Company.



PUNCAK NIAGA HOLDINGS BERHAD
(410007-U)

Number of shares held	Please fill in CDS Account No.									
			-			-				

Proxy Form

I/We

(full name of shareholders as per NRIC, in CAPITAL LETTERS)

NRIC No./ Company No.

(new)

(old)

of

(full address)

being a Member/Members of Puncak Niaga Holdings Berhad hereby appoint

(full name of proxy as per NRIC, in CAPITAL LETTERS)

NRIC No.

(new)

(old)

of

(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Extraordinary General Meeting of Puncak Niaga Holdings Berhad to be held at Concorde I, Concorde Hotel Shah Alam, Level 2, No. 3, Jalan Tengku Ampuan Zabedah C9/C, 40100 Shah Alam, Selangor Darul Ehsan on Wednesday, 7 January 2015 at 10:00 a.m. or at any adjournment thereof, as indicated below:

NO.	RESOLUTION	FOR	AGAINST
1.	Special Resolution 1: Proposed Disposals		
2.	Ordinary Resolution 1: Proposed Distribution		

Please indicate with a cross (X) how you wish your votes to be cast in respect of each Resolution. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.

Signed this.....day of month.....year

Signature(s)/Common Seal of Shareholder

NRIC/Company No. :

Tel. No. :

Notes:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 30 December 2014 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Extraordinary General Meeting.
- A Member entitled to attend and vote at the Meeting is entitled to appoint another person to attend and vote in his stead.
- A proxy need not be a Member of the Company and the provision of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
- A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that,
 - where a Member is an authorised nominee as defined in the Central Depositories Act, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
 - where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account namely, Omnibus Securities Account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Securities Account it holds with ordinary shares of the Company standing to the credit of the said Omnibus Securities Account.
- Where a Member appoints two (2) or more proxies (as the case maybe), the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney. If this Proxy Form is signed under the hand of an officer duly authorised, it should be accompanied by a statement reading "signed as authorised officer under an Authorisation Document which is still in force, no notice of revocation having been received". If this Proxy Form is signed under the attorney duly appointed under a power of attorney, it should be accompanied by a statement reading "signed under a power of attorney which is still in force, no notice of revocation having been received". A copy of the Authorisation Document or the power of attorney, which should be valid in accordance with the laws of the jurisdiction in which it was created and is exercised, should be enclosed with this Proxy Form.
- Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 82 of the Company's Articles of Association.
- The instrument appointing the proxy must be deposited at the Office of the Company's Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.
- At any general meeting, a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded by either:-
 - the Chairman (being a person entitled to vote); or
 - not less than two Members present in person or by proxy and entitled to vote; or
 - a Member or Members present in person or by proxy and representing not less than one-twentieth of the total voting rights of all the Members having the right to vote at the Meeting; or
 - a Member or Members present in person or by proxy and holding shares in the Company conferring a right to vote at the Meeting being shares on which an aggregate sum has been paid up equal to not less than one-twentieth of the total sum paid up on all the shares conferring that right.
- A demand for a poll may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn), a declaration by the Chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.
- No poll shall be demanded on the election of a Chairman or on a question of adjournment. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need to be given of a poll not taken immediately.
- On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

Share Registrar for
Puncak Niaga Holdings Berhad (416087-U)
Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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PUNCAK NIAGA HOLDINGS BERHAD

(Company No.: 416087-U)
(Incorporated in Malaysia)

Personal Data Notice

The Personal Data Protection Act 2010 ("Act") regulates the processing and use of personal data in commercial transactions and applies to Puncak Niaga Holdings Berhad ("the Company").

Personal data including but not limited to your (or your proxy/proxies, if appointed) name, NRIC number or passport number, CDS account number, contact details, mailing address and any other personal data furnished or made available to the Company will be used or disclosed by the Company and the Company's personnel for the purpose of the Extraordinary General Meeting of the Company as well as for disclosure requirements imposed by law or any other regulatory authorities from time to time including but not limited to the stock exchange, companies commission and securities commission ("Purpose"). The Company shall retain the personal data for so long as it is necessary for the fulfilment of the Purpose or for compliance with any law or legal obligations.

If you wish to make any enquiries regarding this Personal Data Notice or any personal data disclosed to the Company, please contact the Company at :-

Mailing Address	:	Puncak Niaga Holdings Berhad 10 th Floor, Wisma Rozali, No. 4, Persiaran Sukan Seksyen 13, 40100 Shah Alam Selangor Darul Ehsan Attention : Secretarial Department
Telephone No.	:	+603 5522 8589
Fax No.	:	+603 5512 0220

Please ensure that your proxy/proxies consent to the disclosure of their personal data for the Purpose.

Notis Data Peribadi

Akta Perlindungan Data Peribadi 2010 ("Akta") mengawal selia pemprosesan dan penggunaan data peribadi dalam transaksi komersil dan diaplikasikan kepada Puncak Niaga Holdings Berhad ("Syarikat").

Data peribadi termasuk tetapi tidak terhad kepada nama, nombor NRIC atau nombor pasport, nombor akaun CDS, butiran perhubungan, alamat surat-menyurat dan apa-apa data peribadi lain anda (atau proksi anda, jika dilantik) yang diberikan atau tersedia kepada Syarikat akan digunakan atau didedahkan oleh Syarikat atau kakitangan Syarikat untuk tujuan Mesyuarat Agung Luar Biasa Syarikat and juga untuk keperluan pendedahan yang dikerah oleh undang-undang atau mana-mana pihak berkuasa yang berkaitan dari masa ke semasa termasuk tetapi tidak terhad kepada bursa saham, suruhanjaya syarikat dan suruhanjaya sekuriti ("Tujuan"). Syarikat akan menyimpan data peribadi selagi perlu untuk memenuhi Tujuan atau bagi pematuhan mana-mana undang undang atau obligasi undang-undang.

Sekiranya anda ingin membuat sebarang pertanyaan mengenai Notis ini atau mana-mana data peribadi anda, sila hubungi Syarikat di :-

Alamat Surat-menyurat :	Puncak Niaga Holdings Berhad Tingkat 10, Wisma Rozali, No. 4, Persiaran Sukan Seksyen 13, 40100 Shah Alam Selangor Darul Ehsan Untuk Perhatian : Jabatan Kesetiausahaan	
No. Telefon	:	+603 5522 8589
No. Faks	:	+603 5512 0220

Sila pastikan bahawa proksi anda bersetuju dengan pendedahan data peribadi mereka untuk Tujuan tersebut.