



PUNCAK NIAGA HOLDINGS BERHAD
(416087-U)



Sustainable Growth



Annual Report 2010

Sustainable Growth

In everything we do, we, at Puncak Niaga Holdings Berhad ("PNHB"), are committed to achieving sustainable growth, believing this to be our most fundamental duty. In 2010, we therefore continued to dedicate our best efforts to serving our shareholders and stakeholders in ways that are economically, environmentally and socially sustainable.

Sustainable growth goes way beyond delivering investor returns. Our corporate philosophy embraces enhancements to our business processes and the products and services we deliver to our customers, and is ultimately dependent on the ceaseless development of staff capabilities. At the same time, in the contribution we make to nation-building, sustainable growth means practicing the highest levels of environmental responsibility.

In all these ways, we are able to nurture not just the Company and Group, but our environment and our relationships with the various stakeholders through the conduct of our business and corporate social activities.

14th Annual General Meeting

Date
27 June 2011 (Monday)

Time
10.00 am

Venue

Concorde 1
Concorde Hotel Shah Alam, Level 2
No. 3, Jalan Tengku Ampuan Zabedah C9/C
40100 Shah Alam
Selangor Darul Ehsan

To Be A Leading Regional Integrated Water, Wastewater And Environmental Solutions Provider And To Emerge As A Significant Player In The Oil & Gas Sector.

Our Vision



To meet the increasing challenges in the demand for high quality water supply, wastewater and environmental systems through the continuous implementation of high quality standards, efficient services, human capital development, innovative technologies and operational systems.

Our Mission



To share our experience and offer our expertise through Smart Business Partnerships, Public Private Partnerships or other innovative business models.

To actively participate in local, regional and global business opportunities with linkages to the Company's core activities, waste water & solid waste management, environment management and oil & gas sectors.

To actively support and participate in programmes and activities aimed at uplifting the community's living standards and value systems in line with the aspirations of Vision 2020.

To address national and international concerns pertaining to the protection, conservation and enhancement of the natural environment we live in.



2010 Key Highlights

We operate, manage and maintain 29 WTPs with a combined capacity of 1,930 million litres per day.

In 2010...

Our WTPs achieved

99.9%

compliance with stipulated treated water quality standards.

All our

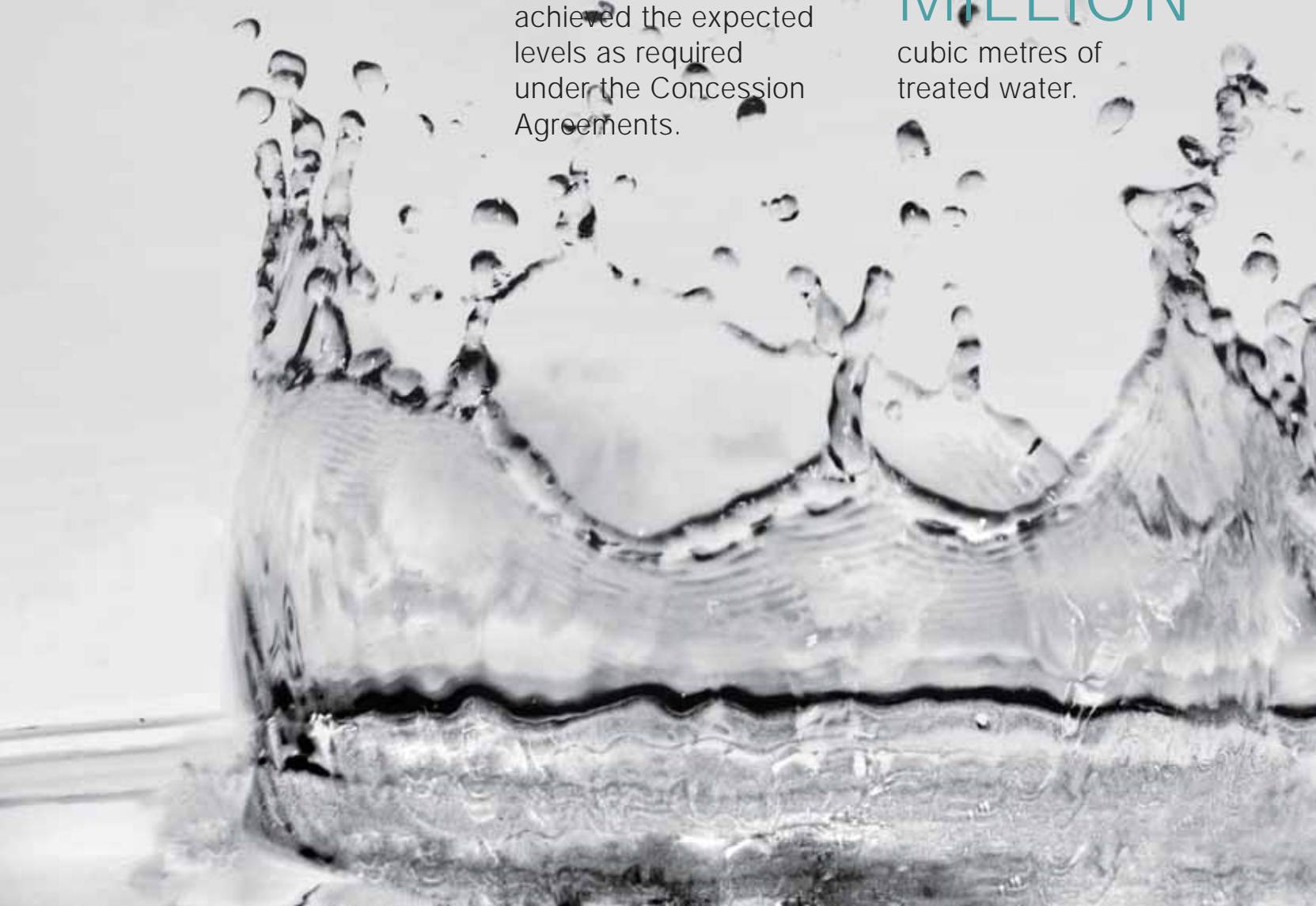
**29
WTPs**

performed well and achieved the expected levels as required under the Concession Agreements.

All our 29 WTPs delivered combined capacity of

**692.19
MILLION**

cubic metres of treated water.



SYABAS out-performed all of its key performance targets SYABAS set for itself, which are higher than the Concession Agreement's requirements.

We achieved a Collection Efficiency of

98.5%

We distributed a daily average of

**4,063
MLD**

of treated water to about

**7.5
MILLION**

consumers.

Our Operation Command Centre is the

1ST

and largest wireless Supervisory Control And Data Acquisition ("SCADA") implementation for water and wastewater utilities in the region.



Free water supply for two families

Funds received from IOO Syabas and Puncak Niaga staff members



雪水供公司兌現補選承諾 艾斯格園坵淡小 獲水供

耗資60万令吉的水管工程已动工，预计将在1星期后竣工，届时该园坵居民将可享用接洽



School enjoys piped water after 46 years

By Helen Lee



雪水供公司為新嘉坡淡小園坵居民提供供水，耗資60万令吉的水管工程已动工，预计将在1星期后竣工，届时该园坵居民将可享用接洽

Charged for bribing Syabas

KUALA LUMPUR: A businessman who owns a furniture factory and a construction materials warehouse in Kajang was fined RM20,000 by the Sessions Court in Jalan Duta for trying to bribe Syarikat Bekalan Air Selangor Sdn Bhd (Syabas)



耗資60万令吉的水管工程已动工，预计将在1星期后竣工，届时该园坵居民将可享用接洽

பத்துமலை தைப்பூசத்தில் மோருக்கு இலவச நீர்

27/08/2015



Syabas bantu bayar bil air

By Helen Lee



雪兰莪水供公司 助不幸者还水电费

【吉隆坡24日讯】雪兰莪水供公司(Syabas)今日启动一项名为“还水电费”的活动，旨在帮助那些因经济困难而无法支付水电费的用户。该活动由雪兰莪州水务局、雪兰莪州电力公司及雪兰莪州水务局共同发起。参与该活动的用户包括雪兰莪州水务局、雪兰莪州电力公司及雪兰莪州水务局的员工及其家属。参与该活动的用户将获得每月36令吉的水费减免。此外，雪兰莪水供公司还提供免费的水电咨询服务。参与该活动的用户将获得每月36令吉的水费减免。此外，雪兰莪水供公司还提供免费的水电咨询服务。参与该活动的用户将获得每月36令吉的水费减免。此外，雪兰莪水供公司还提供免费的水电咨询服务。

Penduduk puji keprihatinan Syabas

BALABONG Penduduk di Temong Seri Timah memuji keprihatinan Syabas terhadap masalah air selangor. Mereka puji sikap Syabas yang bersedia mendengar keluhan mereka untuk memastikan penerangan yang tepat dan adil. Mereka juga puji keprihatinan Syabas terhadap masalah air selangor. Mereka puji sikap Syabas yang bersedia mendengar keluhan mereka untuk memastikan penerangan yang tepat dan adil.



...dan akan membuatkan mereka lebih mudah untuk...
...Syabas telah membuatkan mereka lebih mudah untuk...
...Syabas telah membuatkan mereka lebih mudah untuk...



Ringan beban

Syabas writes off water debts of two poor families

By Helen Said

Syabas staff help pay water bill arrears

By Navon Matthew Meenan

...Syabas staff help pay water bill arrears...
...Syabas staff help pay water bill arrears...



SYABAS hantar 10,000 botol air minuman

ALOR SETAR: Mangsa banjir di negeri ini mampu menarik nafas lega selepas Syarikat Bekalan Air Selangor (SYABAS) menghantar 10,000 botol air minuman bersaiz lima liter bersama 50 tangki statik untuk kegunaan di Kedah dan Perlis, semalam.

170 SURAT & E-MAIL

Khidmat SYABAS diiktiraf terbaik

KETIKA kerajaan negeri Selangor sibuk mempromosikan kewibawaan dan kualiti perkhidmatan SYABAS...

...SYABAS menerima pengiktirafan itu melalui anugerah...
...SYABAS menerima pengiktirafan itu melalui anugerah...

...Usaha SYABAS dalam membekalkan air berkualiti kepada rakyat seharusnya dipuji dan tidak perlu dipertikaikan...
...Usaha SYABAS dalam membekalkan air berkualiti kepada rakyat seharusnya dipuji dan tidak perlu dipertikaikan...

...BAS untuk memberikan khidmat terbaik kepada pengguna air. Di samping itu, setiap tindakan usaha bersama akan membekalkan 10...

Syabas tambah bantuan kepada mangsa banjir

KUALA LUMPUR 8 Nov. - Mangsa banjir di Kedah dan Perlis terus mendapat perhatian dari Syarikat Bekalan Air Selangor Sdn. Bhd. (Syabas) dan Puncak Niaga (M) Sdn. Bhd. yang tampil memberi bantuan pengangkutan air bersih ke kedua-dua negeri tersebut.

...yang dihantar di kedua-dua negeri tersebut mencukupi bagi membantu mangsa yang terhidang dengan banjir kali ini, katanya selepas melepaskan kotovot misi bantuan itu di pejabat Syabas, di sini hari ini. Dalam misi kali ini sebanyak 10,000 botol air dan lima tong tangki air lagi dibantu 'sahai-mansahai'...



Puncak Niaga signs MoU with K-WI

PUNCAK Research Centre Sdn Bhd, the research arm of Puncak Niaga Holdings Bhd, has signed a memorandum of understanding (MoU) with K-water Institute (K-WI), a division of Korea Water Resources & Research Corporation (K-water).

...with its research and development executive director, Dr Yang Hae Jin.

...collaboration with KSWW would help SWAN champion the customer rights in Klang Valley.

Loji PNSB terpaksa ditutup sebanyak itu pada 2008 akibat pencemaran sungai yang ketara sehingga menjejaskan kualiti air



...Loji PNSB terpaksa ditutup sebanyak itu pada 2008 akibat pencemaran sungai yang ketara sehingga menjejaskan kualiti air...

Real-time monitoring system

Upgrade will help Syabas reduce time and money

...Real-time monitoring system...
...Real-time monitoring system...



Celebration to foster ties

...Celebration to foster ties...
...Celebration to foster ties...



Puncak Values



Our Company's values, the **PUNCAK VALUES** shape our organisational culture and guide the way we run our business. They are integrated into our business processes and our core values.

At **PUNCAK**, we are and continuously seek to be:

- ◆ **P**assionate about our business for sustainable performance.
- ◆ **U**nited as one in our corporate responsibility strategy to align with our Vision to be the Leading Regional Integrated Water, Wastewater And Environmental Solutions Provider And To Emerge As A Significant Player In The Oil & Gas Sector.
- ◆ **N**urture our human capital towards an exemplary workforce.
- ◆ **C**orporate Governance guides the way we run our business in an evolving global business environment.
- ◆ **A**ccountable for all our actions and engagement process with our stakeholders.
- ◆ **K**nowledgeable in all aspects of our business operations and continue to be the trusted and reliable provider of clean water supply.

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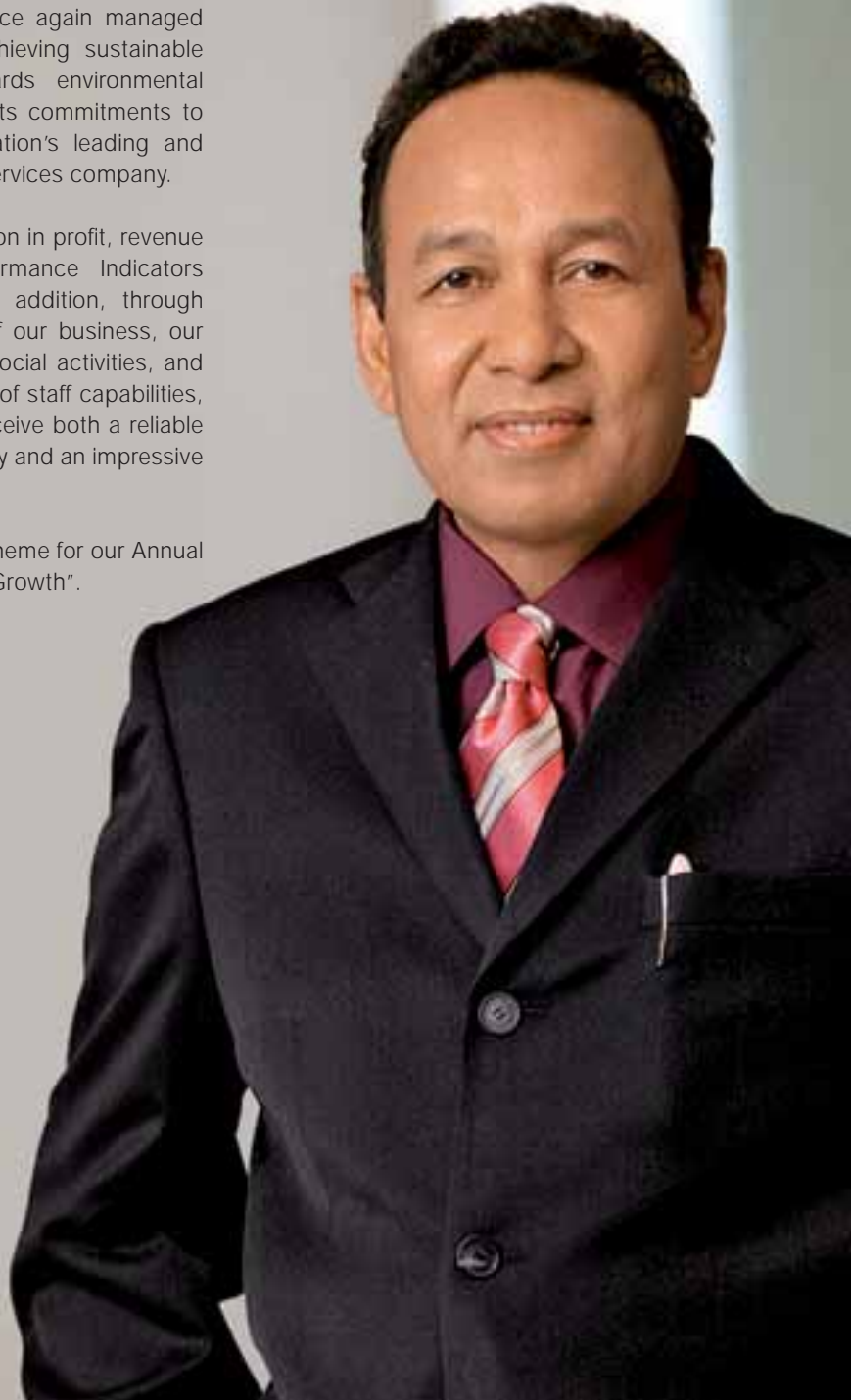
Executive Chairman's Message

Dear valued Shareholders and Stakeholders,

In 2010, though challenged by a variety of issues beyond our control, Puncak Niaga Holdings Berhad ("PNHB") and the Group ("PNHB Group" or the "Group") once again managed to pursue its goals of achieving sustainable growth; contributing towards environmental conservation; and fulfilling its commitments to its stakeholders as the nation's leading and dynamic integrated water services company.

Though there was a reduction in profit, revenue rose and the Key Performance Indicators ("KPI") were exceeded. In addition, through the professional conduct of our business, our commitment to corporate social activities, and the ceaseless development of staff capabilities, consumers continued to receive both a reliable and high quality water supply and an impressive level of customer service.

All this is embodied by the theme for our Annual Report 2010, "Sustainable Growth".



YBHG TAN SRI ROZALI ISMAIL
EXECUTIVE CHAIRMAN
OF PNHB GROUP

Executive Chairman's Message

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BACKGROUND

Global economic recovery slowed in the second half of 2010 with the fading of the effects of the quantitative easing programmes that had underpinned growth in the first half of the year. In the major advanced economies, economic activity was fragile and growth restricted with private sector investment remaining cautious.

The Asian economies achieved exceptionally strong growth in the first half, which moderated in the second due to declining external demand. Domestic demand, however, held up well on the back of growing business and consumer confidence, the availability of financing and positive labour market conditions.

In Malaysia, as elsewhere in Asia, the slowdown in the global economic revival led to some weakening in external demand. Nevertheless, in 2010, the Malaysian economy experienced rapid growth, driven by robust and expanding domestic activity supported by private sector spending.

(Source: Bank Negara Malaysia Quarterly Bulletin, Third Quarter 2010.)

Malaysia's income growth was further assisted by the New Economic Model, Government Transformation Programme, 10th Malaysia Plan and Economic Transformation Programme launched during the year by our Honourable Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak.

Against this backdrop, on behalf of the Board of Directors of PNHB, I am pleased to present the Annual Report and Audited Financial Statements of the Company and Group for the financial year ended 31 December 2010.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2010, the Group recorded an increase in revenue, which climbed by 1.3% to RM1,911.5 million from RM1,887.0 million in 2009. This was mainly due to higher water consumption, and included in the revenue is our best estimate of the water tariff compensation for the year 2010 as stipulated in the Concession Agreement dated 15 December 2004 signed between Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), the Federal Government and the State Government of Selangor Darul Ehsan (the "Selangor State Government") (the "Concession Agreement").

Meanwhile, profit before tax ("PBT") for the financial year ended 31 December 2010 decreased by 14.1% from RM312.6 million in 2009 to RM268.4 million in 2010, bringing down the basic earnings per share from 34.79 sen to 29.21 sen. The Group's PBT performance was mainly due to higher operating and finance costs incurred during the year.

The Board of Directors does not recommend any final dividend for the financial year ended 31 December 2010. This recommendation was made after due deliberation and having considered the necessity for the Company to conserve its financial resources in view of the prolonged uncertainty in the water services sector in Selangor, Kuala Lumpur and Putrajaya, which had been ongoing since 2008, and pending the conclusion of any proposed restructuring of the water services sector ("Proposed Restructuring") by the Selangor State Government and the scheduled tariff hike of SYABAS. The Company will consider dividend payment in the future once there are clear indications of how the sector is going forward.

For the financial year ended 31 December 2010, the Group recorded an increase in revenue, which climbed by 1.3% to RM1,911.5 million from RM1,887.0 million in 2009. This was mainly due to higher water consumption.

Executive Chairman's Message

cont'd

2010 was an exceptionally challenging year for PNH and the Group. The Proposed Restructuring has been in the pipeline since 2008.



CHALLENGES

2010 was an exceptionally challenging year for PNH and the Group. The Proposed Restructuring has been in the pipeline since 2008. However, following the lapse of the third takeover offer made on 6 January 2011 by the Selangor State Government to all the water players, including Puncak Niaga (M) Sdn Bhd ("PNSB") and SYABAS, there has been no progress thus far.

The situation had been exacerbated by the decision of the Government to freeze the SYABAS Capital Expenditure ("CAPEX") programme since July 2008, with the exception of very critical works of limited funding, which prevented the necessary rehabilitation and upgrading of the water infrastructure facilities which are critical for the water services sector in the Federal Territory of Kuala Lumpur, Petaling Jaya and Selangor. The delay in finalising the restructuring exercise may cause further delays to the Pahang-Selangor Inter State Water Transfer ("ISWT") Scheme and will aggravate the impending water shortage in the Klang Valley in the near future.

We have written to the Federal Government on several occasions voicing our concerns and emphasizing in the strongest possible terms that an acceptable solution should quickly be found to the issues of the Proposed Restructuring and the uplift and funding of critical works for SYABAS CAPEX programme.

Meanwhile, the commitment under the Concession Agreement to implement the water tariff adjustment due from 1 January 2009 onwards, or to pay the compensation owing to SYABAS in lieu of the tariff adjustment, has not been honoured by the Selangor State Government resulting in tight cashflow constraints for SYABAS and its inability to make full payment for cost of water purchased from the three water treatment operators, namely Konsortium ABASS Sdn Bhd ("Konsortium ABASS"), Syarikat Pengeluar Air Sungai Selangor Sdn Bhd ("SPLASH") and PNSB.

As a direct result of this, two water treatment operators, namely SPLASH and Konsortium ABASS sued SYABAS for non-payment of invoices and alleged outstanding amounts in respect of the Supply Charge and Capacity Charge respectively. Though the suit in relation to Konsortium ABASS was set aside on 6 August 2010, SYABAS was served with a Writ and Statement of Claim on 28 March 2011 by the solicitors acting for Konsortium ABASS. Both the SPLASH suit and the new Konsortium ABASS suits are still ongoing.

Given its paramount responsibility to its shareholders and stakeholders, on 10 November 2010, SYABAS was left with no choice but to initiate and institute legal proceedings against the Selangor State Government for water tariff compensation of RM471.6 million for the period from 1 January 2009 to 31 December 2009 under the terms of the Concession Agreement.



Executive Chairman's Message

cont'd

It is our view that, in this situation, not only are the water industry and the water players suffering, but the public interest is being neglected too. Not surprisingly, all these issues also place a considerable financial and operational strain on the Group in ensuring good service level and adequate water supply.

More recently, on 6 April 2011, Malaysian Rating Corporation Berhad ("MARC") took various rating actions on the Selangor water sector issuers, including the rating actions against the Company, PNSB and SYABAS respectively which had resulted in the rating of some of the Group's debt to fall below the minimum rating under their respective trust deeds. If allowed to remain, further action (if any) by the respective bondholders could result in a default on the Group's debt obligations.

Upon consultation with its legal counsel and certain major bondholders of the Group, the Management of the Group had decided to call for the respective bondholders meeting of the Company and PNSB to seek for certain waivers from the bondholders to address the current situation. The notices of meetings had been sent to the bondholders for the respective bondholders meetings to be held in early May 2011 and we are hopeful for a positive response and support from the bondholders given the current challenging circumstances faced by the Group .

ACHIEVEMENTS

In 2010, despite the many issues affecting the Group, we have not only achieved but exceeded all of the KPIs set by the Board except for a planned reduction in Non Revenue Water ("NRW") which could not be achieved due to the SYABAS CAPEX freeze.

Driven by an absolute sense of responsibility to the public, and as a result of managerial and operational excellence, the Group was able to maintain all its service level, not only by continuing to deliver quality water supply, but also by providing an exceptional level of customer service for which I commend my colleagues and staff throughout the Group.

Within our constrained limitations we continued to honour our responsibilities to our consumers, optimizing our resources by prioritizing critical works and carrying out strategic programmes. We were also able to continue (albeit to a limited extent) with our investment in both Research and Development ("R&D") and Information and Communication Technology ("ICT").

As a result of our ongoing investment, within the last five years, ICT has significantly enhanced the operations of PNSB, and SYABAS has become an ICT-driven company with the completion of Phase 1 of the highly sophisticated Supervisory Control And Data Acquisition ("SCADA") system at its heart as one of the key systems that drives virtually every aspect of SYABAS' operations.

CORPORATE DEVELOPMENTS

In 2010, the Group continued to pursue a strategy of diversification and regional expansion, leveraging on our exceptional levels of expertise and experience in the water and water-related sector.

In China, two of our construction projects are completing by mid 2011 with concessions scheduled to commence thereafter. Another China project is scheduled for completion in 2018, with the concession targeted to be implemented in 2019. Our experience in China has proved highly instructive as we set the path to further expand our business overseas.



Executive Chairman's Message

cont'd

In 2010, despite the many issues affecting the Group, we have not only achieved but exceeded all of the KPIs set by the Board except for a planned reduction in Non Revenue Water ("NRW") which could not be achieved due to the SYABAS CAPEX freeze.

Though the Group did not manage to clinch any projects in India in 2010, we will continue to bid for international competitive tenders with reliable local partners in 2011. We are also exploring potential water and water related projects in Indochina.

In line with our vision To Emerge As A Significant Player In The Oil And Gas Sector, we have invested significant resources and strategic efforts in positioning ourselves for our entry into the oil and gas industry. We are hopeful that our initiatives will bear fruit in the near future. We will grow our oil and gas activities organically and/or by merger and acquisition.

CORPORATE & ENVIRONMENTAL RESPONSIBILITY

In everything we do, we, at PNH Group, are committed to achieving sustainable growth, believing this to be our most fundamental duty. In 2010, amidst the challenging issues we face, we continued to dedicate our best efforts to serving our shareholders and stakeholders in ways that are economically, environmentally and socially sustainable.

Sustainable growth goes way beyond delivering investor returns. Our corporate philosophy embraces enhancements to our business processes and the products and services we deliver; nurturing our environment and our relationships with the various stakeholders through the conduct of our business and corporate social activities; and the ceaseless development of staff. Concurrently, in our contribution to nation-building, sustainable growth means practising the highest levels of responsibility in environmental conservation and preservation.

In 2010 and the years ahead, the biggest challenge that confronts us is the impending water crisis in the Klang Valley. The Group is acutely aware of the threat posed by climate change which affects weather patterns and the availability of high raw water quality. At the same time, Malaysia is experiencing both economic expansion and a rapid growth in urban population. Industrial and domestic water consumption is increasing fast, especially in the Klang Valley, and will reach a point where production capacity is unable to meet demand. *(Source: Malaysian Institute of Economic Outlook, World Outlook 2011.)*

The cost of operating Water Treatment Plants ("WTPs") is increasing due to pollution and the low quality of raw water, which is under the jurisdiction of the Selangor State Government.

Resulting from SYABAS CAPEX freeze, our plans for infrastructure enhancements to mitigate the threat of water shortages has been interrupted. The most the Group can do is to try to maintain the service level and contain water losses.



Executive Chairman's Message

cont'd

Nevertheless, despite operating under tight financial constraints, several initiatives were conducted by PNSB's Research & Development Centre, in collaboration with the Water Quality & Research Section, to improve various processes to ensure the high quality of treated water supply beside reducing chemical consumption and waste generation.

CORPORATE GOVERNANCE

PNHB is wholeheartedly committed to upholding the principles of good governance, transparency, integrity and accountability. We constantly strive to conduct our business in a responsible, ethical and sustainable manner, balancing our duties towards our customers, shareholders and stakeholders, staff, business associates and society as a whole.

AWARDS

As in previous years, the Group continued to receive an array of accolades in 2010, a testament to the high quality of its product and its operational and service excellence.

On 20 July 2010, PNSB gained the Bronze Award in the HR Excellence Category in the Malaysia HR Awards 2010. On the same date, three teams from the Sg Selangor Phase 2 ("SSP2") WTP garnered three Gold Awards from the Innovative & Creative Circle ("ICC") Malaysian Productivity Corporation ("MPC") Central Region 2010; and on 7-9 October 2010, the teams won a further three Gold Awards from the ICC MPC National Convention. Following this achievement, one of the three teams, namely the TAG team, has been invited to participate in the International Convention of Quality & Creative Circle to be held on 11-14 September 2011 at Pacifico Yokohama, Japan, where they will be presenting their innovative cost saving project, In-stability of Microsand Quantity in the Actiflo Process.

On 30 July 2010, the SSP2, Sg Langat and Bukit Nanas WTPs achieved Class II Gold Awards in the Malaysian Society for Occupational Safety & Health ("MSOSH") Occupational Safety & Health OSH Award 2009 – whereas the Sg Batu and North Hummock WTPs received Silver Awards in the same event.

On 21 December 2010, PNSB was honoured with the Anugerah Cemerlang Keselamatan Dan Kesihatan Pekerjaan Kebangsaan (National Excellence Award 2009 For Occupational Health & Safety) 2009.



Executive Chairman's Message

cont'd

SYABAS carried off a similarly impressive range of awards during the year.

In the Malaysia HR Awards 2010, SYABAS obtained the Bronze Award in the HR Excellence Category on 20 July 2010; while on 13 April 2010, two teams from SYABAS won two Gold Awards from the ICC Central Region MPC Mini Convention 2010.

On 30 July 2010, the Petaling, Hulu Langat, Klang and Kuala Lumpur Districts all collected MSOSH Class 1 Gold Awards for the Utilities Sector Category, and in the same category Kuala Langat, Sepang, Gombak, Hulu Selangor, Kuala Selangor, Sabak Bernam Districts gained Class II Gold Awards for 2009.

On 8 October 2010, SYABAS received the Best Emerging Contact Centre Award 2010 at the Customer Relationship Management & Contact Centre Association Of Malaysia Award 2010. Recently, on 26 January 2011, SYABAS won a further three awards, namely the Malaysian President Award 2010; the Malaysian ICT Adoption Award 2010; and the Malaysian Service Excellence Award 2010 at the Malaysian Trade & Industry Recognition Award 2010.

Both PNSB and SYABAS collected the Highest Award in the Malaysian Business Ethics Excellence Award 2010/2011 in the Main Category of Large Company organized by the Ministry of Domestic Trade, Co-operatives & Consumerism on 9 December 2010.

On 5 March 2010, PNHB emerged as a finalist in the Market Capitalization of RM1 Billion And Above Category in the StarBiz-ICR Malaysia Corporate Responsibility Awards 2009 for the second consecutive year. On 16 June 2010, PNHB was presented with a Merit Certificate for its contribution towards the success of Anugerah Usahawan Bumiputera 2010. On 20 June 2010, the Company was also granted the SMI and SME Service Provider of the Year 2009 Award under the Corporate Category.

In addition, for the second year running, on 8 November 2010, PNHB was awarded as Winner for Integrated Reporting In An Annual Report for the ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2010.



PROSPECTS

Economic Prospects

Looking ahead, there is considerable uncertainty about how sustainable the global economic recovery will be. The advanced economies are still plagued by vulnerable financial sectors and weak labour markets and, given the urgent need to address their fiscal position, have restricted policy flexibility.

Most Asian economies, however, are recovering well under the impetus of strong domestic demand. Nevertheless, capital inflows into the Asian economies remain volatile, posing challenges to financial stability and macroeconomic policy.

According to the Malaysian Institute of Economic Research, Malaysia's Gross Domestic Product is expected to grow by 5.2% in 2011. During the year, the national economy is likely to be affected by the predicted continued slowdown in external demand following the waning of the stimulus provided by the quantitative easing programmes. More positively, strong domestic economic activity is expected to propel overall growth, while private investment will continue to be supported by the Government's ongoing economic transformation programmes. *(Source: Bank Negara Malaysia Quarterly Bulletin, Third Quarter 2010.)*

Group Prospects

Our hope is that the Proposed Restructuring will be rapidly resolved on a win-win basis for all concerned as the continued delay is proving seriously detrimental to the water industry, the companies involved and the public interest.

Within Malaysia, there are ample opportunities for us to capitalize on the formidable expertise we have amassed over the years, which places us in a very strong position to win a wide variety of water and water-related industry contracts including in the area of construction. This will ensure that we remain a dominant player in the water and water-related sector.

In addition, we have a growing presence across the region and we are now pro-actively targeting Indochina under a Government to Government arrangement. Meanwhile, the invaluable experience we have gained in China, India and Pakistan, where the need to expand the water infrastructure is both massive and urgent, will stand us in good stead in our plans to participate further in these countries' development.

We have also set the oil and gas sector in our sights, and are hopeful to clinch projects in this sector in the near future.



Water Saving Tips

Fixing a leaking tap can save up to 90 litres of water a week.



Executive Chairman's Message

cont'd

THANKS

The solid achievements of 2010 are a splendid tribute to the unceasing dedication, skill and hard work of our staff, and their total commitment to meeting our KPIs. On behalf of the Board, I would like to offer them our heartfelt appreciation.

We are equally grateful for the tremendous support we received during the year from our shareholders, stakeholders, customers, financiers and business partners. We look forward to your continuous support in 2011 and the years ahead.

I would also like to extend our thanks to the Federal Government as well as to various government authorities, agencies and non-governmental organizations for the guidance and cooperation they provided.

Finally, I wish to offer my sincere thanks to my fellow Board members and the entire Management team for their unwavering contribution throughout the year.

Many challenges lie ahead of us in 2011, but I am confident that, with the support of all our stakeholders, we will, to the best of our ability, continue to fulfil our obligations to the consumers, protect and conserve our nation's natural resources and carry the business to ever greater heights of success.

Tan Sri Rozali Ismail
Executive Chairman
26 April 2011

Our hope is that the Proposed Restructuring will be rapidly resolved on a win-win basis for all concerned as the continued delay is proving seriously detrimental to the water industry, the companies involved and the public interest.



About This Report

This report is an integrated Annual Report where we present our financial performance combined with corporate sustainability information to our stakeholders. It contains all significant sustainability activities carried out by Puncak Niaga Holdings Berhad (“PNHB”) and its subsidiaries over the course of the reporting period. The area of operations covered includes Malaysia and other countries where we conduct our operations as detailed in this Annual Report.

The core responsibility of PNHB to society is to increase corporate value through sound business practices. We recognise that our businesses have direct and indirect impact on the societies in which we operate. Our stakeholders remain the same and include; employees, customers, shareholders, investors, suppliers and the local community. This report contains information pertaining to:

- health and safety of our employees, contractors and communities;
- fair and equitable treatment of our employees;
- long-term contributions of our operations towards local communities;
- protection of the environment throughout our operations;
- economic performance.

We have continued to apply the Global Reporting Initiative (GRI) G3 indicators as a measurement of information disclosure. This report is rated C based on the GRI guidelines, and the complete list of performance indicators can be found on pages 360 to 362 of this Annual Report.

CAUTIONARY STATEMENT

PNHB’s Annual Report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of PNHB’s Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in PNHB’s Annual Report should be construed as a profit forecast. Certain regulatory performance data contained in PNHB’s Annual Report is subject to regulatory audit.

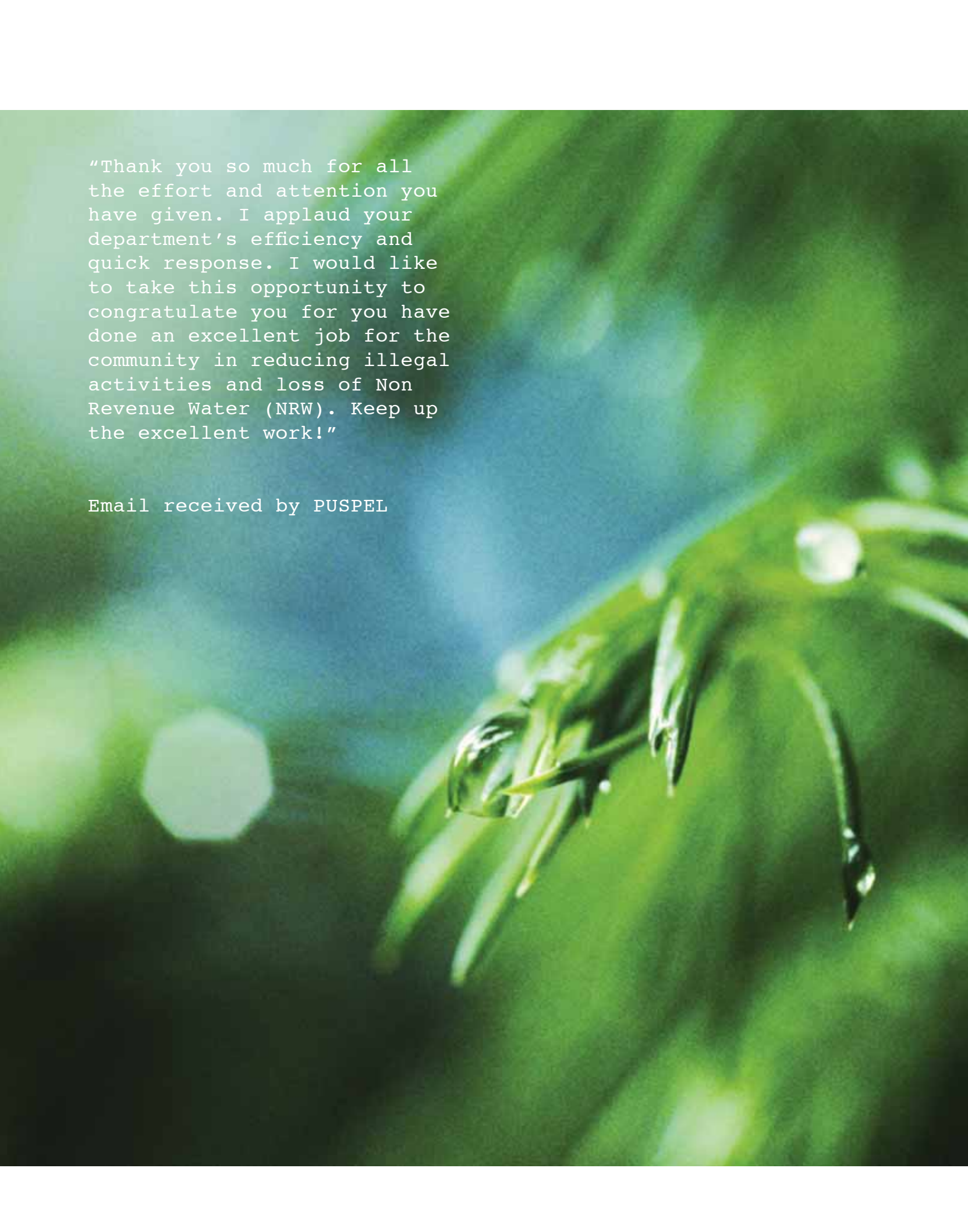
Applicable Period and Date of Publication

Applicable Period: Fiscal year 2010 (1 January 2010 to 31 December 2010)

Date of Publication: 3 June 2011

We are not only committed to delivering outstanding quality and reliable service at affordable prices, but also to the sustainable protection and management of water resources.





"Thank you so much for all the effort and attention you have given. I applaud your department's efficiency and quick response. I would like to take this opportunity to congratulate you for you have done an excellent job for the community in reducing illegal activities and loss of Non Revenue Water (NRW). Keep up the excellent work!"

Email received by PUSPEL

Corporate Profile

OUR COMPANY

THE PUNCAK NIAGA HOLDINGS BERHAD (“PNHB”) GROUP IS THE LEADING REGIONAL INTEGRATED WATER, WASTEWATER AND ENVIRONMENTAL SOLUTIONS PROVIDER AND TO EMERGE AS A SIGNIFICANT PLAYER IN THE OIL & GAS SECTOR. PNHB IS AN INVESTMENT HOLDING COMPANY WHILST ITS SUBSIDIARIES ARE PRINCIPALLY INVOLVED IN THE OPERATION, MAINTENANCE, MANAGEMENT, CONSTRUCTION, REHABILITATION AND REFURBISHMENT OF WATER TREATMENT FACILITIES, THE SUPPLY AND DISTRIBUTION OF TREATED WATER WITHIN THE STATE OF SELANGOR AND THE FEDERAL TERRITORIES OF KUALA LUMPUR AND PUTRAJAYA, UNDERTAKING WORKS RELATED TO THE OIL AND GAS INDUSTRY AND OTHER MATERIALS AND THE PROVISION OF OFFSHORE AND ONSHORE ENGINEERING WORKS AS WELL AS UNDERTAKING RESEARCH AND DEVELOPMENT AND TECHNOLOGY DEVELOPMENT FOR THE WATER, WASTEWATER AND ENVIRONMENT SECTORS.

Established on 7 January 1997, PNHB was listed on the Main Board of Bursa Malaysia Securities Berhad (now known as the Main Market of Bursa Malaysia Securities Berhad) on 8 July 1997. As at the end of 31 December 2010, PNHB’s market capitalisation stood at RM945 million. It is the first water treatment and supply concession company to be listed on Bursa Malaysia Securities Berhad under the Infrastructure Project Company guidelines issued by Securities Commission.

OUR CORE BUSINESS AND CAPABILITIES

Our subsidiary, Puncak Niaga (M) Sdn Bhd (“PNSB”) which holds five water treatment concessions with the Selangor State Government, is the nation’s second largest water supply concessionaire, operating, managing and maintaining 29 water treatment plants with a combined capacity of 1,930 million litres per day. PNSB undertook the finance, design, construction, operation, management and maintenance of the Sg Selangor Phase 2 Water Treatment Plant with a design capacity of 950 million litres per day at a cost of RM1.28 billion which was completed on 1 January 2001, one year ahead of schedule. Subsequently, PNSB completed the Wangsa Maju Water Treatment Plant with a design capacity of 45 million litres per day at a cost of RM122.0 million in a record time of six months in July 1998, during the water crisis. These early completion of projects clearly exemplifies the PNHB Group’s excellent capabilities in managing and undertaking large-scale water supply projects in Malaysia.

Under a separate concession agreement with the Federal Government and the Selangor State Government, our other subsidiary, Syarikat Bekalan Air Selangor Sdn Bhd (“SYABAS”) supplies treated water to a population of 7.5 million including industrial and commercial users, with a total registration of 1.741 million consumer accounts. SYABAS also undertakes the maintenance of 25,582 km of water pipes, 1,387 service reservoirs, elevated water tanks and suction tanks and 498 pumping stations within the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

Corporate Profile

cont'd

In mid 2008, PNHB Group entered the China market via its 80% owned subsidiary, Sino Water Pte Ltd ("SWPL"), a company incorporated in Singapore which focuses primarily on potential markets in China. PNHB had on 15 December 2010 further increased its stake in SWPL to 98.65%. SWPL has established various subsidiaries in the People's Republic of China to undertake potable water and wastewater projects in several provinces in China.

To facilitate PNHB Group's overseas expansion plans in the Asian countries, PNHB formed a wholly owned Singapore subsidiary, Puncak Niaga Overseas Capital Pte Ltd on 28 June 2010.

Two subsidiaries within the Group, namely Puncak Oil & Gas Sdn Bhd and Puncak Research Centre Sdn Bhd undertake the oil and gas works and the research development activities, respectively.

On 10 March 2011, PNHB formed a 99.99% owned Indian subsidiary Company, Puncak Niaga Infrastructures & Projects Private Limited ("PNIP Pte Ltd") which will focus primarily on potential markets in India.

On 19 April 2011, PNHB acquired a 55% stake in Reputable Collection Sdn Bhd ("RCSB") resulting in RCSB becoming a 55% owned subsidiary of the Company. Concurrently, RCSB had acquired a 62.5% stake in Jalinan Handal Sdn Bhd ("JHSB") resulting in JHSB becoming a sub-subsidiary of the Company on 19 April 2011.

Our customer contact centre, PUSPEL which is manned by a team of highly trained call agents operates 24 hours daily and provides customers with a convenient and effective way to contact SYABAS on water supply matters. In May 2007, PUSPEL received the 2007 Malaysia Water Award for Excellence in Customer Service Management from the Malaysian Water Association.

On 8 October 2010, PUSPEL was awarded the special award, "The Best Emerging Contact Centre" category for the Government Link Company by Contact Centre Association of Malaysia at the 11th CRM & Contact Centre Awards 2010, in recognition of PUSPEL's excellent customer service to all water users in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

Out of the manpower strength of more than 4,000 employees in the PNHB Group, more than half comprise Management, professionals, technical and supervisory executives with core competencies in engineering, accountancy, legal, management, administration and business; which are instrumental in supporting the Group's business and operations.



Corporate Profile

cont'd

OUR COMMITMENT TO CORPORATE CITIZENSHIP

The PNHB Group is committed to upholding the principles of good corporate governance and core values such as quality, value, service, innovation and trust in the conduct of our business which are integral to our success over the years. We have received various repeat awards and accolades for good governance, annual reporting, occupational safety and health; and environmental and social reporting.

In line with our corporate vision and mission, we seek to be environmentally responsible in the protection, conservation and enhancement of the natural environment, particularly in the management aspect of the water resources, which is relevant to our business operations. Our River Rescue Brigade (Briged Penyelamat Sungai) programme which was initiated by our Executive Chairman in 1998 is a programme which aims to educate the younger generation on the importance of the conservation and protection of the environment, especially the rivers. To date, we have enlisted 4,204 school children and 186 schools in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya into the programme. In November 2007, our River Rescue Brigade was accorded an Honourable Mention at the inaugural Prime Minister's Corporate Social Responsibility (CSR) Award 2007. Another programme, the Educational Outreach Programme (Turun Ke Padang) launched in 1999, is an extension of the River Rescue Brigade which aims to educate the primary school children located within our areas of operations on the importance of river preservation. The objectives of these programmes are to ensure the continuous supply of clean water as well as to enlighten them on the roles played by PNSB and SYABAS in the water treatment and water distribution processes respectively.

OUR FUTURE PLANS

As the PNHB Group seeks to grow its business and deliver value to the stakeholders, we will look into expanding our operations in areas related to our core business and other sector such as oil & gas sector, and competencies within Malaysia and undertaking projects in other countries such as India, China and the ASEAN countries.

Corporate Information

BOARD OF DIRECTORS

Yang Berbahagia Tan Sri Rozali Ismail
Executive Chairman

Yang Berbahagia Dato' Hashim Mahfar
Managing Director

Yang Berbahagia Dato' Ruslan Hassan
Non-Independent Non-Executive Director

Yang Berbahagia Dato' Ir Lee Miang Koi
Non-Independent Non-Executive Director

**Yang Berbahagia Dato' Syed Danial
Syed Ariffin**
Chief Operating Officer

**Yang Berbahagia Tan Sri Dato'
Hari Narayanan Govindasamy**
Independent Non-Executive Director

**Yang Berbahagia Tan Sri Dato'
Seri Dr Ting Chew Peh**
Independent Non-Executive Director

**Yang Amat Mulia Tengku Dato'
Rahimah Almarhum Sultan Mahmud**
Non-Independent Non-Executive Director

**Yang Berbahagia Tan Sri Dato'
Ahmad Fuzi Haji Abdul Razak**
Independent Non-Executive Director

Mr Ng Wah Tar
Executive Director, Corporate Finance Division

COMPANY SECRETARIES

Madam Tan Bee Lian, MAICSA 7006285
Madam Lim Yew Heang, MAICSA 7007653

REGISTERED OFFICE

10th Floor, Wisma Rozali
No. 4, Persiaran Sukan
Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : +603-5522 8589
Fax : +603-5512 0220

PRINCIPAL OFFICE

Wisma Rozali
No. 4, Persiaran Sukan
Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : +603-5522 8589
Fax : +603-5522 8598
e-mail (general):
corpcom@puncakniaga.com.my
e-mail (investors):
investors@puncakniaga.com.my
website: www.puncakniaga.com.my

BRANCH OFFICES

Kuala Terengganu Office
201B, Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu
Tel : +609-623 8589
Fax : +609-624 8589

Sarawak Office
Lot 10864 & 10865, Section 64
KTLD, Jalan Mendu
93200 Kuching
Sarawak
Tel : +6082-332 589
Fax : +6082-337 589

Sri Aman Site Office
1st Floor, Lot 440
Block 3, Jalan Council
95000 Sri Aman
Sarawak
Tel : +6083-320 335
Fax : +6083-320 340

Sarikei Site Office
1st Floor, No. 82C
Wisma CS Kua
Jalan Masjid Lama
96100 Sarikei
Sarawak
Tel : +6084-656 206
Fax : +6084-656 208

SYARIKAT BEKALAN AIR SELANGOR SDN BHD'S (SYABAS) OFFICE

SYABAS Head Office
Jalan Pantai Baharu
59200 Kuala Lumpur
Tel: : +603-2282 6244/
+603-2088 5400
Fax : +603-2282 7976
e-mail: puspel@syabas.com.my
Website: www.syabas.com.my
Network: follow@puspel
(on Twitter and Facebook)

PUNCAK OIL & GAS SDN BHD'S OFFICE

Unit 12-1, Level 12
No. 11, Jalan 16/11
Pusat Dagang Seksyen 16
46350 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7958 5533
Fax : +603-7956 7375

SINGAPORE OFFICE

**Sino Water Pte Ltd
Puncak Niaga Overseas
Capital Pte Ltd**
No. 8, Eu Tong Sen Street
#22-85 & #22-86, The Central
Singapore 059818
Tel : +65-62249220 (Main Line)
+65-62226936/
+65-62227926
Fax : +65-62226812

CHINA OFFICES

**Sino Water Environmental
Consultancy (Shanghai) Co Ltd**
Unit 301, No. 398,
City Gateway
Caoxi (North) Road, Xuhui District
200030 Shanghai
People's Republic of China
Tel : +86-21-60905282
Fax : +86-21-60905281

Luwei (Pingdingshan) Water Co Ltd

No. 6, ShunCheng Road (East)
Lushan County
Henan Province
467300 People's Republic of China
Tel/Fax : +86-375-5891036

Corporate Information

cont'd

Xinnuo Water (Binzhou) Co Ltd

Chenlou Industrial & Commerce Park
Laodian Village, Yangxin County
Shandong Province
251802, People's Republic of China

Luancheng Dayu Water Supply Co Ltd

No. 17, Xinyuan Road
Luancheng County, Hebei Province
051430 People's Republic of China
Tel/Fax : +86-311-88031652

Hebei Sino Panlong Industrial Water Supply Co Ltd

No. 117, Renmin Road
Yuanshi County
Hebei Province
051130 People's Republic of China
Tel/Fax : +86-311-84638813

INDIA OFFICE

Puncak Niaga Infrastructures & Projects Private Limited

1, Kutchery Road, Mylapore
Chennai - 600004
Tamil Nadu, India

Tel : +91-44-42102058
Fax : +91-44-42102028

VIETNAM OFFICE

(Representative Office)

16F, Saigon Tower
29, Le Duan Street
District 1, Ho Chi Minh City
Saigon, Vietnam

Tel : +84-8-35207701
Fax : +84-8-38236288

DATE AND PLACE OF INCORPORATION

7 January 1997, Malaysia

COMPANY NUMBER

416087-U

AUDITORS

Messrs Ernst & Young (AF 0039)

TAX ADVISOR

Ernst & Young Tax Consultants Sdn Bhd

PRINCIPAL BANKERS

RHB Bank Berhad (6171-M)
CIMB Investment Bank Berhad (18417-M)
Amlslamic Bank Berhad (295576-U)
CIMB Bank Berhad (13491-P)

SOLICITORS

Messrs Adnan Sundra & Low
Messrs Belden
Messrs Marcia Ng & Associates
Messrs Sreenevasan Young
Messrs Zul Rafique & Partners

SHARE REGISTRAR

(Place where all registers of securities are kept)

Tricor Investor Services Sdn Bhd (118401-V)

Level 17, The Gardens North Tower
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur

Tel : +603-2264 3883
Fax : +603-2282 1886

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad under the Infrastructure Project Companies Sector

INDICES

FTSE Bursa Malaysia Kuala Lumpur
FTSE Bursa Malaysia Emas Syariah Index

AUDIT COMMITTEE

Chairman:

Yang Berbahagia Tan Sri Dato' Seri
Dr Ting Chew Peh

Members:

Yang Berbahagia Tan Sri Dato'
Hari Narayanan Govindasamy
Yang Amat Mulia Tengku Dato'
Rahimah Almarhum Sultan Mahmud
Yang Berbahagia Tan Sri Dato'
Ahmad Fuzi Haji Abdul Razak

Secretaries:

Madam Tan Bee Lian
Madam Lim Yew Heang

REMUNERATION COMMITTEE

Chairman:

Yang Berbahagia Tan Sri Dato'
Ahmad Fuzi Haji Abdul Razak

Members:

Yang Berbahagia Tan Sri Dato'
Hari Narayanan Govindasamy
Yang Berbahagia Tan Sri Dato'
Seri Dr Ting Chew Peh
Mr Ng Wah Tar

Secretaries :

Madam Tan Bee Lian
Madam Lim Yew Heang

NOMINATION COMMITTEE

Chairman:

Yang Berbahagia Tan Sri Dato'
Ahmad Fuzi Haji Abdul Razak

Members:

Yang Berbahagia Tan Sri Dato'
Hari Narayanan Govindasamy
Yang Berbahagia Tan Sri Dato'
Seri Dr Ting Chew Peh

Secretaries:

Madam Tan Bee Lian
Madam Lim Yew Heang

COMPLIANCE, INTERNAL CONTROL AND RISK POLICY COMMITTEE (CICR)

Chairman:

Yang Berbahagia Tan Sri Dato'
Seri Dr Ting Chew Peh

Members:

Yang Berbahagia Dato' Hashim Mahfar
(Head of CICR)
Mr Ng Wah Tar
Madam Tan Bee Lian
Tuan Haji Sonari Solor

Secretary:

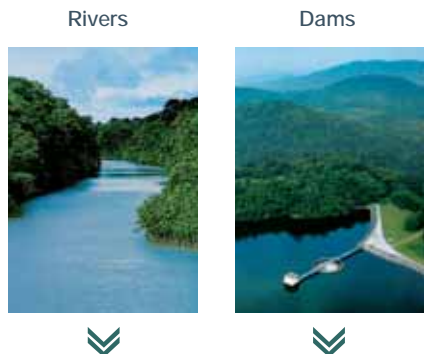
Encik Mohammed Sofian Ismail
(Head of Risk Management Section)

Our Role In The Water Supply System

REGULATORY AUTHORITIES

Policy, Planning, Enforcement and Surveillance by Government Agencies

- Selangor Water Management Authority (LUAS)**
Manages river basin upstream beginning 3 nautical miles from the sea
- Department of Environment (DOE)**
Oversees environment issues concerning rivers
- Department of Irrigation and Drainage Malaysia (DID)**
Flood control and river management



OPERATORS

Dam Operators in Selangor

- Puncak Niaga (M) Sdn Bhd (PNSB)
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH)
- Konsortium ABASS Sdn Bhd

WTP Operators in Selangor

- Puncak Niaga (M) Sdn Bhd (PNSB)
- Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH)
- Konsortium ABASS Sdn Bhd

Water Supply Distributor for Selangor, Kuala Lumpur and Putrajaya

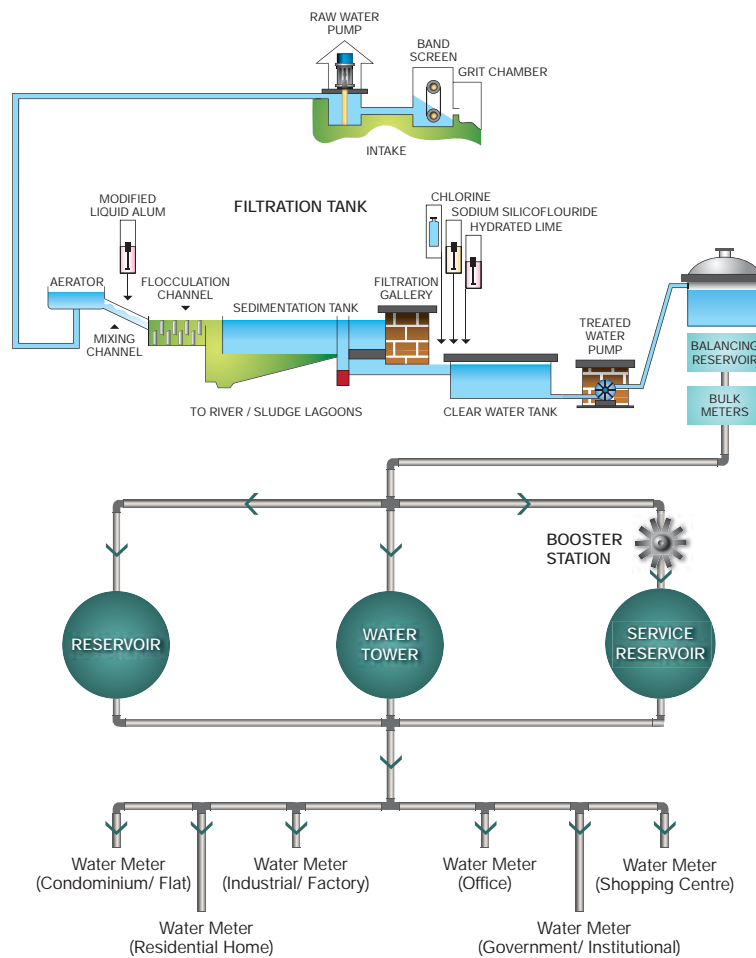
- Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS)

Consumers

SCHEMATIC DIAGRAM OF WATER TREATMENT SYSTEM

National Water Services Commission (SPAN)

Ministry of Health (MOH) - water quality



PNHB

Fact Sheet

Authorised Share Capital	RM1,300,000,000
Paid-Up Share Capital	RM411,142,895 (comprising 411,142,895 ordinary shares of RM1.00 each)
Number of RUN Issued	546,875,000
RUN Coupon Rates	2.5% per annum for the first 10 years and 3.5% per annum for the remaining 5 years (beginning 20 November 2011)
RUN Maturity Date	18 November 2016
RUN Holders' Put Option Date	18 November 2011
RUN Redemption Dates (2007-2012)	First (1st) Mandatory Partial Redemption - 20 November 2007 (completed) Second (2nd) Mandatory Partial Redemption - 20 November 2008 (completed) Third (3rd) Mandatory Partial Redemption - 20 November 2009 (completed) Fourth (4th) Mandatory Partial Redemption - 20 November 2010 (completed) Fifth (5th) Mandatory Partial Redemption - 20 November 2011 Sixth (6th) Mandatory Partial Redemption - 20 November 2012

PNSB FACT SHEET AS AT 31 DECEMBER 2010

Number of PNSB's Water Treatment Plants	29
Number of Water Treatment Plants with ISO Certifications	20

SYABAS FACT SHEET AS AT 31 DECEMBER 2010

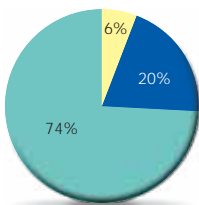
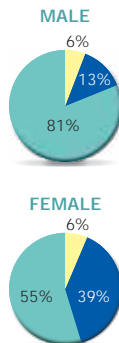
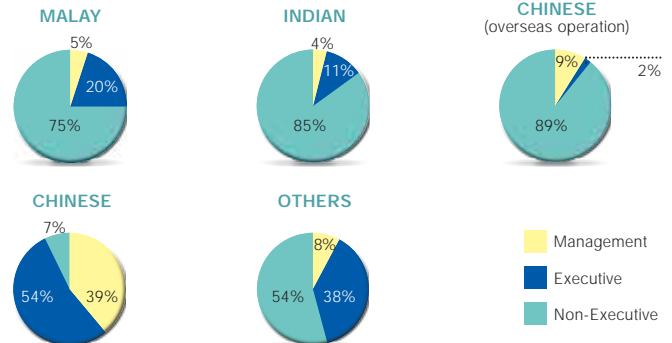
Number of SYABAS' Consumer Accounts	1.732 million
Maintenance of water pipes	25,427 km
Number of service reservoirs, elevated water tanks and suction tanks	1,387
Number of pumping stations	498

GROUP MANPOWER AS AT 26 APRIL 2011

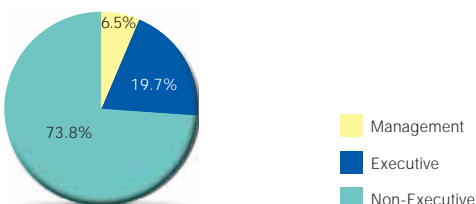
Category of Employees	No. of Personnel	Gender		Race (In Malaysia)				Race (Overseas)
		Male	Female	Malay	Chinese	Indian	Others	Chinese
Management	268	195	73	201	41	9	3	14
Executive	870	439	431	771	56	26	14	3
Non-Executive	3,232	2,622	610	2,865	7	203	20	137
Total	4,370	3,256	1,114	3,837	104	238	37	154

LIST OF CORPORATE MEMBERSHIPS

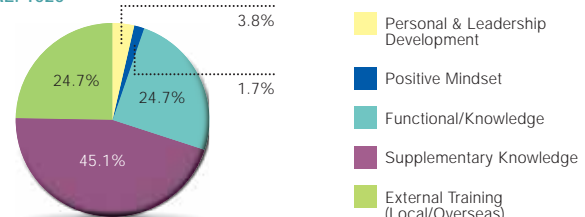
1	Malaysian Water Association (MWA)	Member since 1994
2	Malaysia South-South Association (MASSA)	Member since 1995
3	Federation of Public Listed Companies (FPLC)	Member since 1997
4	Malaysian Employers Federation (MEF)	Member since 1999
5	Malaysian Industry-Government Group for High Technology (MIGHT)	Member since 2001
6	Malaysian-German Chamber of Commerce and Industry (MGCC)	Member since 2002
7	National Institute of Occupational Safety and Health (NIOSH)	Member since 2002
8	American Water Works Association (AWWA)	Member since 2002
9	Malaysian-French Chamber of Commerce and Industry (MFCCI)	Member since 2002
10	Malaysia-Russia Business Council	Member since 2002
11	British Malaysian Chamber of Commerce (BMCC)	Member since 2003
12	Malaysia-Japan Economic Association (MAJECA)	Member since 2003
13	Commonwealth Partnership for Technology Management (CPTM)	Member since 2003
14	Institute of Marketing Malaysia (IMM)	Member since 2003
15	South East Asian Water Utilities Network (SEAWUN)	Member since 2004
16	Malaysian Islamic Chamber of Commerce (MICC)	Member since 2006
17	Singapore Water Association	Member since 2006
18	Malaysian Investors Relations Association (MIRA)	Member since 2008
19	Water Association of Selangor, Kuala Lumpur and Putrajaya (SWAN)	Member since 2008
20	Malaysian Nature Society (MNS)	Member since 2009
21	Environmental Management & Research Association of Malaysia (ENSEARCH)	Member since 2009

GROUP MANPOWER ANALYSIS AS AT 26 APRIL 2011**Breakdown by Job Category****Breakdown by Gender****Breakdown by Race****Breakdown by Number of Staff Trained in 2010**

TOTAL: 3635

**Breakdown by Number of Training Programmes Organized in 2010**

TOTAL: 1020



Corporate Achievement



**STARBIZ-ICR
MALAYSIA CORPORATE
RESPONSIBILITY
AWARDS 2009**
Finalist for Market
Capitalisation of RM1 billion
and Above category awarded
to PNHB on 5 March 2010



**INNOVATIVE & CREATIVE
CIRCLE (ICC) CENTRAL
REGION MINI
CONVENTION 2010**
Malaysian Productivity
Corporation; Gold Award
awarded to SYABAS' ICC
Falcon Team on 13 April 2010



**INNOVATIVE & CREATIVE
CIRCLE (ICC) CENTRAL
REGION MINI
CONVENTION 2010**
Malaysian Productivity
Corporation; Gold Award
awarded to SYABAS' ICC
Smart Team on 13 April 2010



**ANUGERAH USAHAWAN
BUMIPUTERA 2010:
ANUGERAH PERDANA
(KEPIMPINAN)
(PREMIER AWARD
LEADERSHIP)**
awarded to YBhg
Tan Sri Rozali Ismail
on 16 June 2010



**MERIT CERTIFICATE
FOR THE CONTRIBUTION
TOWARDS THE SUCCESS
OF ANUGERAH USAHAWAN
BUMIPUTERA 2010**
presented to PNHB
on 16 June 2010



**SMI & SME
TOP ACHIEVER
OF THE YEAR 2009
AWARD**
awarded to YBhg
Tan Sri Rozali Ismail
on 20 June 2010



**SMI & SME
SERVICE PROVIDER
OF THE YEAR 2009
AWARD (CORPORATE
CATEGORY)**
awarded to PNHB
on 20 June 2010



**MALAYSIA
HR AWARDS 2010
- HR EXCELLENCE
CATEGORY
BRONZE AWARD**
awarded to PNSB
on 20 July 2010



**MALAYSIAN
HR AWARDS 2010
- HR EXCELLENCE
CATEGORY
BRONZE AWARD**
awarded to SYABAS
on 20 July 2010



**INNOVATIVE & CREATIVE
CIRCLE (ICC) CENTRAL
REGION 2010**
Malaysian Productivity
Corporation; Gold Award
awarded to SSP2 WTP's ICC
ROT 2 Team on 20 July 2010



**INNOVATIVE & CREATIVE
CIRCLE (ICC) CENTRAL
REGION 2010**
Malaysian Productivity
Corporation; Gold Award
awarded to SSP2 WTP's ICC
3EQ Team on 20 July 2010



**INNOVATIVE & CREATIVE
CIRCLE (ICC) CENTRAL
REGION 2010**
Malaysian Productivity
Corporation; Gold Award
awarded to SSP2 WTP's ICC
Tag Team on 20 July 2010



**MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH ("MSOSH")
OCCUPATIONAL SAFETY & HEALTH AWARD 2009
MSOSH OSH GOLD (CLASS I) AND MSOSH OSH GOLD (CLASS II)
AWARD (FOR UTILITIES SECTOR CATEGORY) ON 30 JULY 2010:**

MSOSH OSH GOLD (CLASS I) AWARD
- SYABAS Petaling District
- SYABAS Hulu Langat District
- SYABAS Klang District
- SYABAS Kuala Lumpur District

MSOSH OSH GOLD (CLASS II) AWARD
- SYABAS Kuala Langat District
- SYABAS Sepang District
- SYABAS Gombak District
- SYABAS Hulu Selangor District
- SYABAS Kuala Selangor District
- SYABAS Sabak Bernam District

Corporate Achievement

cont'd



MSOSH OCCUPATIONAL SAFETY & HEALTH OSH AWARD 2009 GOLD (CLASS II)
awarded to SSP2 WTP on 30 July 2010

MSOSH OCCUPATIONAL SAFETY & HEALTH OSH AWARD 2009 GOLD (CLASS II)
awarded to Sg Langat WTP on 30 July 2010

MSOSH OCCUPATIONAL SAFETY & HEALTH OSH AWARD 2009 GOLD (CLASS II)
awarded to Bukit Nanas WTP on 30 July 2010

MSOSH OCCUPATIONAL SAFETY & HEALTH OSH AWARD 2009 SILVER
awarded to Sg Batu WTP on 30 July 2010

MSOSH OCCUPATIONAL SAFETY & HEALTH OSH AWARD 2009 SILVER
awarded to North Hummock WTP on 30 July 2010



INNOVATIVE & CREATIVE CIRCLE (ICC) NATIONAL CONVENTION
Malaysian Productivity Corporation;
3-Star Gold Medalist
awarded to SSP2 WTP's ICC ROT 2 Team on 7 – 9 October 2010

INNOVATIVE & CREATIVE CIRCLE (ICC) NATIONAL CONVENTION
Malaysian Productivity Corporation;
3-Star Gold Medalist
awarded to SSP2 WTP's ICC Tag Team on 7 – 9 October 2010

INNOVATIVE & CREATIVE CIRCLE (ICC) NATIONAL CONVENTION
Malaysian Productivity Corporation;
2-Star Gold Medalist
awarded to SSP2 WTP's ICC 3EQ Team on 7 – 9 October 2010

CUSTOMER RELATIONSHIP MANAGEMENT & CONTACT CENTRE ASSOCIATION OF MALAYSIA AWARD 2010
- THE BEST EMERGING CONTACT CENTRE AWARD 2010
awarded to SYABAS/ PUSPEL on 8 October 2010

ACCA MALAYSIA SUSTAINABILITY REPORTING AWARDS (MaSRA) 2010
awarded to PNHB's Annual Report 2009 as the winner for Integrated Reporting In An Annual Report on 8 November 2010



HIGHEST AWARD IN THE MALAYSIAN BUSINESS ETHICS EXCELLENCE AWARD 2010/2011 (MAIN CATEGORY OF LARGE COMPANY)
awarded to PNSB on 9 December 2010

HIGHEST AWARD IN THE MALAYSIAN BUSINESS ETHICS EXCELLENCE AWARD 2010/2011 (MAIN CATEGORY OF LARGE COMPANY)
awarded to SYABAS on 9 December 2010

NATIONAL EXCELLENCE AWARD 2009 FOR OCCUPATIONAL HEALTH & SAFETY 2009
awarded to PNSB on 21 December 2010

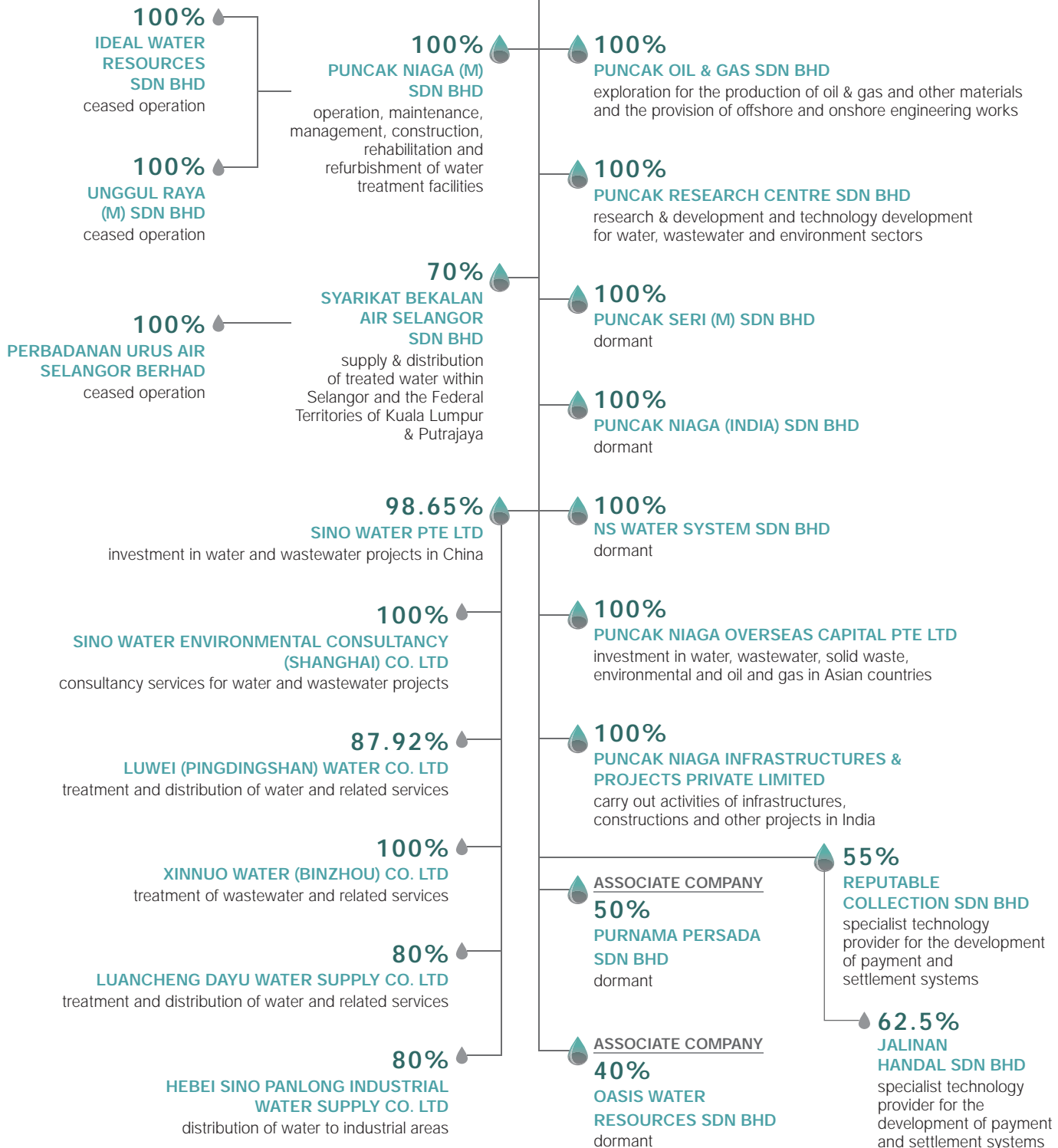
THE MALAYSIAN TRADE AND INDUSTRY RECOGNITION AWARD 2010
- THE MALAYSIAN PRESIDENT AWARD 2010
- THE MALAYSIAN ICT ADOPTION AWARD 2010
- THE MALAYSIAN SERVICE EXCELLENCE AWARD 2010
awarded to SYABAS on 26 January 2011

Corporate Structure



PUNCAK NIAGA HOLDINGS BERHAD
(416087-U)

INVESTMENT HOLDING

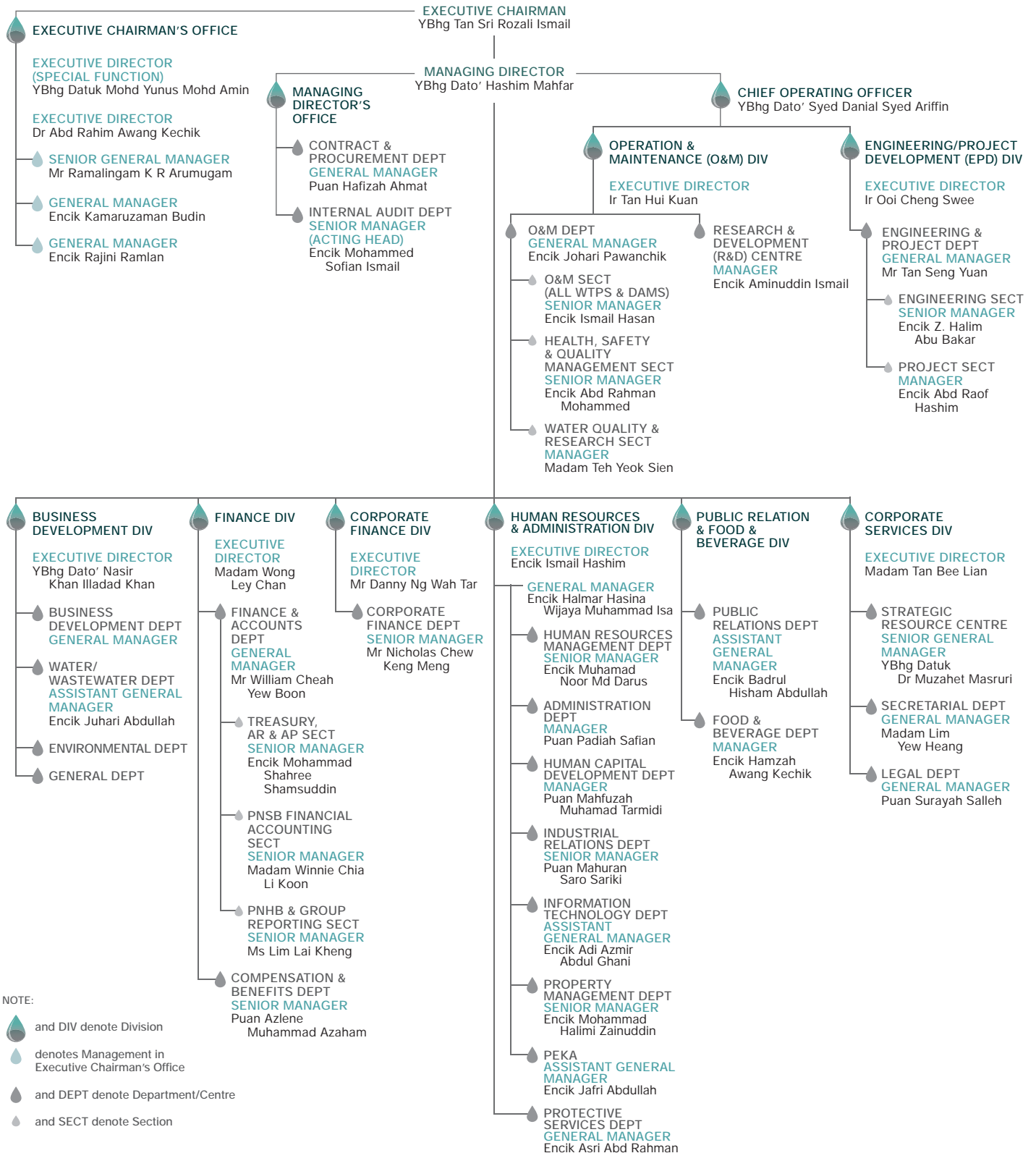




PUNCAK NIAGA (M) SDN BHD
(187511-V)

BOARD OF DIRECTORS

Organisation Structure - PNSB



NOTE:

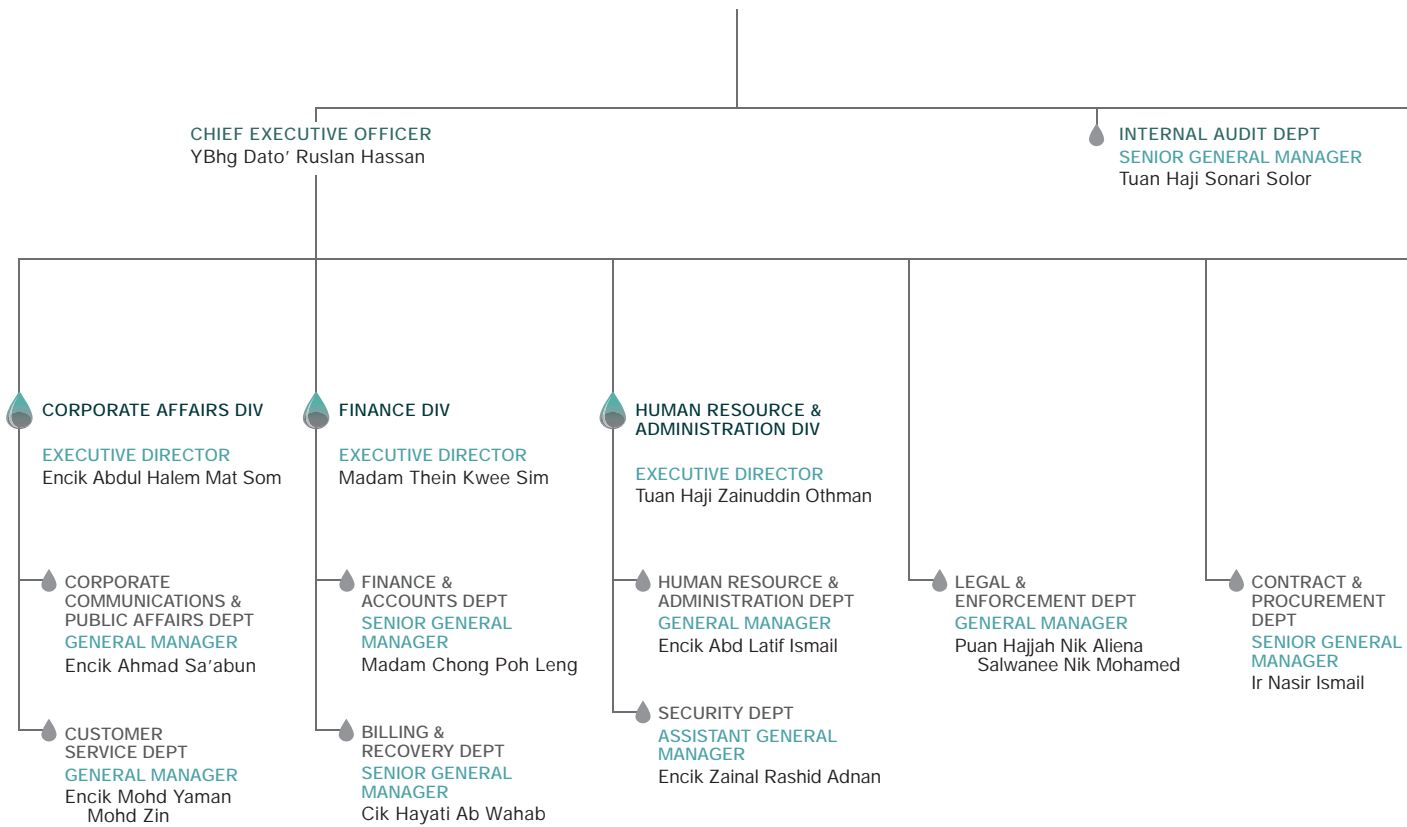
- and DIV denote Division
- denotes Management in Executive Chairman's Office
- and DEPT denote Department/Centre
- and SECT denote Section

Organisation Structure SYABAS








SYARIKAT BEKALAN AIR SELANGOR SDN BHD
(393257-T)

EXECUTIVE CHAIRMAN
YBhg Tan Sri Rozali Ismail



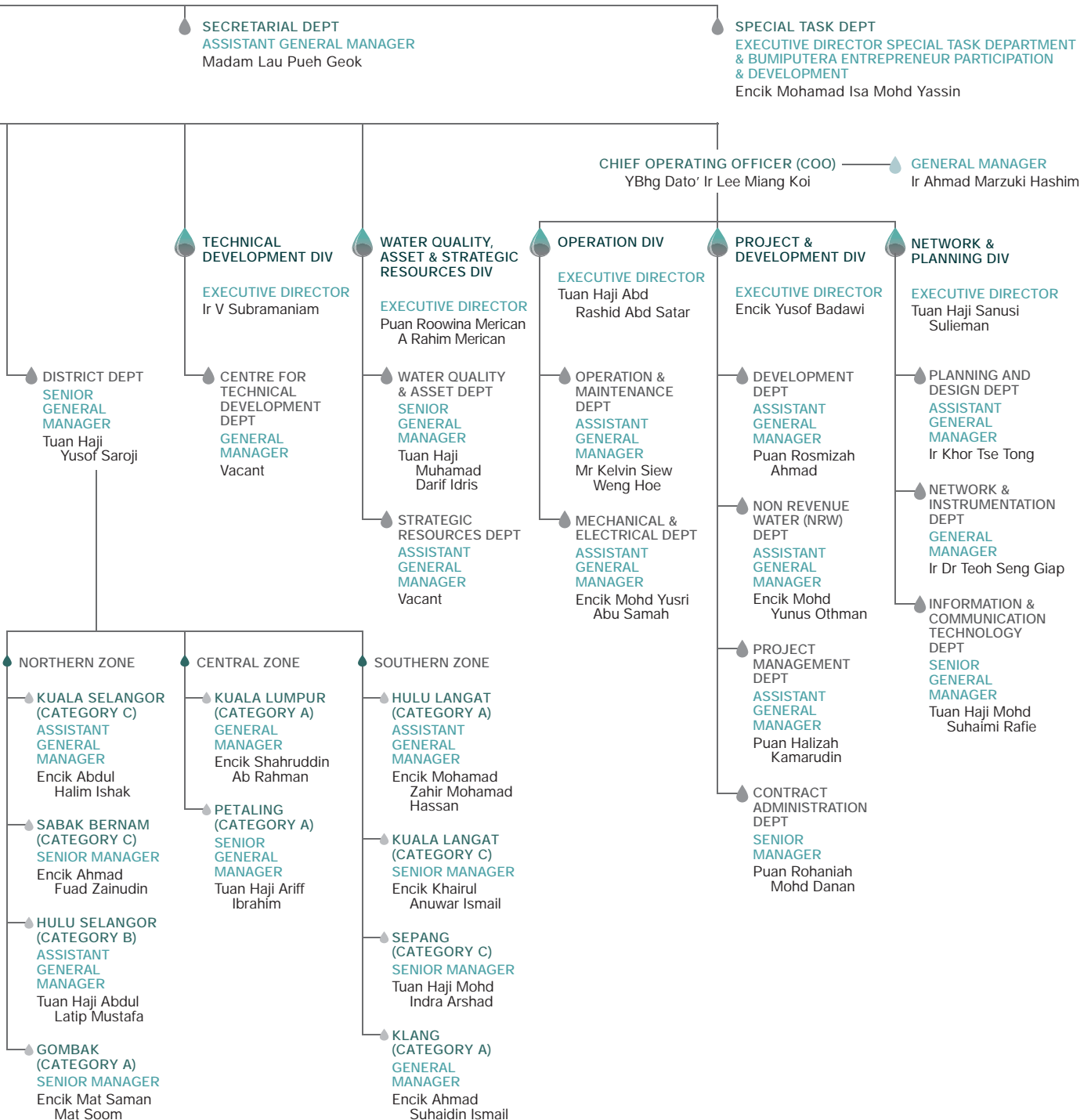
NOTE:

-  and DIV denote Division
-  and DEPT denote Department
-  denotes Management in COO's Office
-  denotes Sections
-  denotes District

Organisation Structure

SYABAS

cont'd



Board of Directors' Profile



YBHG TAN SRI ROZALI ISMAIL
AGED 54, MALAYSIAN
EXECUTIVE CHAIRMAN OF
PNHB GROUP

YBhg Tan Sri Rozali Ismail is the founder of Puncak Niaga (M) Sdn Bhd ("PNSB"), the Executive Chairman of Puncak Niaga Holdings Berhad ("PNHB") Group and substantial shareholder of PNHB. He was appointed to the Board of PNHB on 24 April 1997.

A Bachelor of Laws Degree holder from the University of Malaya in 1981, YBhg Tan Sri Rozali began his career as Legal Advisor with the Urban Development Authority (UDA) before joining Bank Islam (M) Berhad in 1983. Together with a few pioneer bank staff, he conceptualised the first institution of Islamic banking in Malaysia. Subsequently, in 1987, he started his own legal practice as an Advocate and Solicitor for seven years, specialising in corporate, property and banking works.

In 1989, YBhg Tan Sri Rozali set up a family-owned company and embarked into the property development sector, with involvement in several development projects in the Klang Valley, Kuantan and Johor. Under the banner of Puncak Alam Housing Sdn Bhd, he developed a new township known as Bandar Baru Puncak Alam. The family-owned company also ventured into the utility business in 1989 with the setting up of PNSB. Due to his vast experience in various fields, he was entrusted by the Selangor State Government, via PNSB, to manage the water treatment plants for the whole of the State of Selangor Darul Ehsan and the Federal Territory of Kuala Lumpur. PNHB was subsequently incorporated in January 1997 as the holding company of PNSB and was listed on the Main Board of Bursa Malaysia Securities Berhad (effective 3 August 2009 known as Main Market of Bursa Malaysia Securities Berhad) on 8 July 1997.

YBhg Tan Sri Rozali was conferred a Fellowship Award by the Institute of Marketing Malaysia ("IMM") on 6 November 2001 for his invaluable contributions to promote the growth and development of the Malaysian property market. In recognition of his outstanding contributions in championing management excellence and best practices in the Malaysian water and wastewater industry, YBhg Tan Sri Rozali was awarded the prestigious Asia Water Management Excellence Award 2002 - Individual Award Category, an award at Asian level, by the Regional Institute of Environmental Technology on 26 March 2002. YBhg Tan Sri Rozali was a Top 10 Nominee

for the Ernst & Young Entrepreneur Of The Year - Malaysia 2002 and Malaysia 2003 (Master Entrepreneur Category) Award in recognition of his outstanding entrepreneurship and leadership skills. He was conferred an Honorary Doctorate in Complementary Medicines (Humanity Services) by the Open International University for Complementary Medicines, Colombo, Sri Lanka on 24 September 2004.

On 30 November 2007, YBhg Tan Sri Rozali was bestowed the SME Platinum Award 2007 by the SMI Association of Malaysia for his outstanding entrepreneurship, leadership and achievements in the water industry. This award signals the SMI Association of Malaysia's recognition of YBhg Tan Sri Rozali as a role model for budding entrepreneurs, especially in view of his rapid rise from a small and medium business entrepreneur to becoming a Chief Executive Officer of a large listed company. In recognition of his excellent services performed with utmost dedication towards the betterment of the community, YBhg Tan Sri Rozali was the proud recipient of the Vocational Excellence Service Award 2009, conferred by the Paul Harris Fellow Award and inducted as an Honorary Rotarian by the Rotary Club of Kuala Lumpur West on 6 November 2009. YBhg Tan Sri Rozali received the title "Kolonel Kehormat Rejimen Pakar Pengendalian Air Ke-60 RAJD (AW)" on 16 January 2009. On 16 June 2010, YBhg Tan Sri Rozali received the 'Anugerah Perdana (Kepimpinan)' ["Premier Award (Leadership)"] at the 'Anugerah Usahawan Bumiputra 2010 organised by Gagasan Badan Ekonomi Melayu ("GABEM"). On 20 June 2010, YBhg Tan Sri Rozali was honoured with the Top Achiever Of The Year 2009 Award at the Fourth Business of The Year Award organised by the SMI and SME Worldwide Network.

YBhg Tan Sri Rozali is a member of various influential governmental and non-governmental associations such as Malaysian Industry-Government Group for High Technology ("MIGHT"), Malaysian Institute of Directors ("MID"), Malaysian-British Business Council, Malaysia-Indonesia Business Council, Corporate Malaysia Roundtable, Malaysia-Russia Business Council, Malaysia India Business Council ("MIBC"), Commonwealth Partnership for Technology Management, FELDA Community Social Development Committee, Yayasan Budi Penyayang Malaysia, Malaysian Institute of Management and a Trustee of Perdana Leadership Foundation and Sekretariat Malaysia Prihatin. He is the Advisor to IMM, President of the Malay Chamber of Commerce for the State of Selangor, Pro-Chancellor of the University Putra Malaysia (July 2007 - June 2010), Governor for Malaysia of Asia Pacific Marketing Federation ("APMF") Foundation, Advisor of "Gabungan Persatuan Usahawan Melayu Selangor/Wilayah Persekutuan" (GAPUMS), Advisor of "Gabungan Pelajar Melayu Semenanjung" (GPMS) (2006-2009 Session), Committee Member of "Gagasan Badan Ekonomi Melayu" (GABEM) Negeri Selangor, Life Member of "Gabungan Ikhtisas Dan Usahawan Bumiputra Anak Selangor, Selangor" (GIBS) and Advisor of "Persatuan Bola Sepak Melayu Malaysian" ("PBSMM"). He is also the Chairman of Gabungan Wawasan Generasi Felda Berhad.

In November 2006, YBhg Tan Sri Rozali set up the Water Association of Selangor, Kuala Lumpur and Putrajaya ("SWAn"), a non-profit organisation which represents the common interest of all water supply and wastewater industries within the State of Selangor, and the Federal Territories of Kuala Lumpur and Putrajaya with the aim of promoting interaction with the general public and enhancing their understanding of water resources. He is the President of SWAn for the 2009/2011 Session.

YBhg Tan Sri Rozali is the past Deputy President of the Malaysian Water Association ("MWA") (2003/2005 Session), former Board Member of the Universiti Utara Malaysia (2004-2006), past Advisor of the Business and Accounting Faculty Council, the University of Malaya (21 May 2004 to 20 April 2007) and former Trustee of Yayasan WAQAF Malaysia (YWM) (January 2008 - December 2009).

YBhg Tan Sri Rozali is the major shareholder of one (1) listed company, namely TRIplc Berhad, a property company.

YBhg Tan Sri Rozali attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd

Board of Directors' Profile

cont'd



**YBHG DATO'
HASHIM MAHFAR**
AGED 51, MALAYSIAN
MANAGING DIRECTOR
OF PNHB AND PNSB

YBhg Dato' Hashim Mahfar was appointed to the Board of Puncak Niaga Holdings Berhad ("PNHB") and Puncak Niaga (M) Sdn Bhd ("PNSB") respectively on 1 January 2010. He was appointed as the Head of PNHB's Compliance, Internal Control and Risk Policy Committee ("CICR") and Chairman of Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") Audit Committee on 1 January 2010. He also sits on the Board of several private companies and he is a member of the Water Association of Selangor, Kuala Lumpur and Putrajaya ("SWAN"), a non-profit organisation which represents the common interest of all water supply and wastewater industries within the State of Selangor, and the Federal Territories of Kuala Lumpur and Putrajaya and to promote and advance interaction and understanding with members of the general public. He is also a member of the Malaysian Water Association ("MWA").

He did his tertiary education in 1981 at the Universiti Teknologi MARA ("UiTM") and attended the professional qualification of the Institute of Chartered Secretaries and Administrators (UK). Throughout his career, YBhg Dato' Hashim has been very much involved in the corporate services which includes legal and secretarial, contract administration, marketing and corporate finance. He also has extensive operational experience in the property, construction and manufacturing sectors.

He was with SAP Holdings Berhad from 1985 to 1996 where he started his working career as an Assistant Company Secretary. Over the years, he rose up to the rank of Group General Manager (Corporate Services). In 1996, he joined Bridgecon Holdings Berhad as Executive Director and was made the Group Managing Director/Chief Executive Officer and he was part of PNSB's Senior Management team in 1998 to 1999. YBhg Dato' Hashim was the Managing Director of TRIplic Berhad from 2002 to December 2009 prior to joining PNSB.

YBhg Dato' Hashim attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



YBhg Dato' Ruslan Hassan joined Puncak Niaga (M) Sdn Bhd ("PNSB") on 1 November 1995 as the Executive Director of Corporate and Legal Affairs Division. When Puncak Niaga Holdings Berhad ("PNHB") was set-up and listed on Bursa Malaysia Securities Berhad, YBhg Dato' Ruslan was appointed to its Board on 24 April 1997 and on 6 April 1999, he was appointed as the Executive Vice Chairman. Together with the Executive Chairman YBhg Tan Sri Rozali Ismail, YBhg Dato' Ruslan played a principle role in pursuing for the privatisation rights for the distribution of treated water in Selangor. Upon PNHB securing the water distribution concession for the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya on 1 January 2005, YBhg Dato' Ruslan was appointed as the first Chief Executive Officer ("CEO") of Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") and sits on the Boards of SYABAS and Perbadanan Urus Air Selangor Berhad. With his appointment as the CEO and Director of SYABAS, YBhg Dato' Ruslan was re-designated from Executive Vice Chairman of PNHB to Non-Independent Non-Executive Director of PNHB with effect from 1 October 2005.

YBhg Dato' Ruslan is a member of the Industrial Court Employer Panel from 1 January 2004 till present. He is also a member of the Malaysian Institute of Directors ("MID"), Malaysian Water Association ("MWA"), Institute of Marketing Malaysia ("IMM") and International Water Association ("IWA").

Upon obtaining a Bachelor of Laws Degree from the University of Malaya in 1981, YBhg Dato' Ruslan began his career as the Legal Advisor with the multinational petroleum company, Esso Malaysia Bhd, and later as the Senior Legal Counsel of ESSO Production Malaysia Inc. In 1985, he joined Sime Darby Group and was appointed as the Group Legal Advisor and Company Secretary of Pernas Sime Darby Holdings Sdn Bhd, with interests in automobile, plantation and heavy machinery. YBhg Dato' Ruslan has 4 years' experience as an Advocate and Solicitor in the capacity of a partner in a medium-sized legal firm. In 1993, he joined the securities and banking group of Rashid Hussain Berhad as the Senior General Manager of the Corporate Affairs Division and was later appointed as an Executive Committee Member of the RHB Group. He was also appointed to the Boards of Rashid Hussain Berhad, Rashid Hussain Securities Sdn Bhd as well as various subsidiaries of RHB and served as an Audit Committee member of both companies.

YBhg Dato' Ruslan attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

YBHG DATO'

RUSLAN HASSAN

AGED 55, MALAYSIAN

NON-INDEPENDENT

NON-EXECUTIVE

DIRECTOR OF PNHB

AND CHIEF EXECUTIVE

OFFICER OF SYABAS

Board of Directors' Profile

cont'd



YBHG DATO'

IR LEE MIANG KOI

AGED 57, MALAYSIAN

NON-INDEPENDENT

NON- EXECUTIVE

DIRECTOR OF PNHB

AND CHIEF OPERATING

OFFICER OF SYABAS

YBhg Dato' Ir Lee Miang Koi joined Puncak Niaga (M) Sdn Bhd ("PNSB") in 1995 as General Manager, Business Development. He was subsequently appointed as a Director of PNSB and Puncak Niaga Holdings Berhad ("PNHB") on 2 February 1999 and 1 September 1999 respectively. On 1 January 2005, he was appointed as the Chief Operating Officer of Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"). YBhg Dato' Ir Lee resigned as a Director of PNSB on 30 September 2005 and was re-designated from Executive Director, Project and Business Development Division of PNHB to Non-Independent Non-Executive Director of PNHB with effect from 1 October 2005. He is a member of the Malaysian Water Association ("MWA"), the Malaysian Institute of Directors ("MID") and the Institute of Marketing Malaysia ("IMM").

YBhg Dato' Ir Lee graduated as a civil engineer from the Universiti Teknologi Malaysia in 1978 and in 1989, he obtained a Masters Degree in Environmental Engineering majoring in water supply and wastewater engineering from the Asian Institute of Technology in Bangkok. YBhg Dato' Ir Lee has 33 years of experience in the water supply sector and has held various positions during his tenure with the Public Works Department as well as the Waterworks Department in Malaysia, specialising in the field of water supply services. He was previously a Director of the Negeri Sembilan Waterworks Department. He left the Public Works Department in 1991 to join Ranhill Bersekutu Sdn Bhd, holding various positions from Senior Engineer to Vice President.

YBhg Dato' Ir Lee attended 4 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



YBhg Dato' Syed Danial Syed Ariffin graduated in 1981 with a BSc (Hons) Degree in Civil Engineering from the University of Aston in Birmingham, United Kingdom. He is a civil engineer by profession and has been with Puncak Niaga Holdings Berhad ("PNHB") Group since December 1995. He began his career with Puncak Niaga (M) Sdn Bhd ("PNSB") as a Manager of Operation and was subsequently promoted to Senior Manager, Assistant General Manager and General Manager of Operation. Prior to his appointments to the Boards of PNSB and PNHB on 1 March 2004, he was the Acting Executive Director of the Operation Division from July 2003 to February 2004 and subsequently re-designated as Executive Director, Operation I Division on 1 April 2005. On 16 November 2007, YBhg Dato' Syed Danial was appointed as the Chief Operating Officer of PNHB and PNSB. He is also a Director of Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") since 3 September 2007. He was appointed as the Chairman of Sino Water Pte Ltd, PNHB's 98.65% owned subsidiary in Singapore on 1 January 2010.

YBHG DATO' SYED
DANIAL SYED ARIFFIN
AGED 53, MALAYSIAN
CHIEF OPERATING
OFFICER OF PNHB AND
PNSB AND A DIRECTOR
OF SYABAS

YBhg Dato' Syed Danial previously worked with the Pahang Public Works Department for 10 years, holding positions from Project Engineer (1981-1983) to District Engineer for JKR Cameron Highlands (1983-1991) and the Selangor Water Works Department between 1991 to 1995, where he was the Senior Project Engineer overseeing the construction of the Sg Selangor Phase 1 Water Supply Project. YBhg Dato' Syed Danial is a member of the Institute of Marketing Malaysia, Malaysian Water Association, a Registered Engineer with the Board of Engineers Malaysia, a member of the Universiti Teknologi Mara's Board of Academics, Faculty of Civil Engineering (October 2009 - September 2011 term), Advisor to the Institute For Infrastructure Engineering & Sustainable Management and he also sits on the Boards of several private companies. He is also a member of the Water Association of Selangor, Kuala Lumpur and Putrajaya ("SWAn"), a non-profit organisation which represents the common interest of all water supply and wastewater industries within the State of Selangor, and the Federal Territories of Kuala Lumpur and Putrajaya with the aim of promoting interaction with the general public and enhancing their understanding of water resources.

YBhg Dato' Syed Danial attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



YBHG TAN SRI DATO'
HARI NARAYANAN
GOVINDASAMY

AGED 61, MALAYSIAN
INDEPENDENT
NON-EXECUTIVE
DIRECTOR OF PNHB

YBhg Tan Sri Dato' Hari Narayanan Govindasamy, a businessman was appointed to the Board of Puncak Niaga Holdings Berhad ("PNHB") on 1 July 1999 as an Independent Non-Executive Director. He is a member of PNHB's Audit Committee, Remuneration Committee and Nomination Committee. He holds a Bachelor's Degree in Electrical and Electronics Engineering from the University of Northumbria, England.

YBhg Tan Sri Dato' Hari Narayanan is a member of the Malaysian Institute of Directors and a Registered Professional Engineer with the Board of Engineers Malaysia. He has extensive experience in the field of electrical and electronic engineering and has held various key positions with some established companies as an engineer and entrepreneur.

YBhg Tan Sri Dato' Hari Narayanan also sits on the Boards of Tenaga Nasional Berhad and SP Setia Berhad, both public listed companies. He also holds directorships in several other private limited companies.

YBhg Tan Sri Dato' Hari Narayanan attended 4 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



YBhg Tan Sri Dato' Seri Dr Ting Chew Peh joined Puncak Niaga Holdings Berhad ("PNHB") on 15 July 2000 as an Independent Non-Executive Director and a member of the Remuneration Committee and the Nomination Committee. Currently, he is the Chairman for both PNHB's Audit Committee and Compliance, Internal Control and Risk Policy Committee. He graduated with a Bachelor of Arts Degree from the University of Malaya in 1970 and obtained a Master of Science Degree from the University of London in 1972. He also holds a Doctorate in Philosophy, which he obtained from the University of Warwick in 1976. YBhg Tan Sri Dato' Seri Dr Ting is a member of the Malaysian Institute of Directors.

YBhg Tan Sri Dato' Seri Dr Ting started his career as a lecturer in the Faculty of Humanities and Social Sciences at the Universiti Kebangsaan Malaysia from 1974 to 1980 and was subsequently an Associate Professor at the Faculty until 1987. Between 1979 to 1986, YBhg Tan Sri Dato' Seri Dr Ting published two books entitled "Konsep Asas Sosiologi" and "Hubungan Ras dan Etnik".

In 1987, YBhg Tan Sri Dato' Seri Dr Ting ventured into politics with his election as a Member of Parliament for the Gopeng constituency, which he held until the 2008 general elections. He previously served as Parliamentary Secretary of the Ministry of Health (1988-1989), Deputy Minister in the Prime Minister's Department (1989-1990), Minister of Housing and Local Government (1990-1999) and Secretary-General of the Malaysian Chinese Association (MCA) (1990-2005). He also sits on the Boards of Pan Malaysia Capital Berhad Group, Hua Yang Bhd, Pan Malaysia Corporation Berhad, Johan Holdings Berhad, Huaren Education Foundation and also serves as a director of several private companies.

YBhg Tan Sri Dato' Seri Dr Ting attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

YBHG TAN SRI DATO' SERI
DR TING CHEW PEH
AGED 68, MALAYSIAN
INDEPENDENT
NON-EXECUTIVE
DIRECTOR OF PNHB

Board of Directors' Profile

cont'd



YAM TENGKU DATO'
RAHIMAH ALMARHUM
SULTAN MAHMUD

AGED 45, MALAYSIAN
NON-INDEPENDENT
NON-EXECUTIVE
DIRECTOR OF PNHB

YAM Tengku Dato' Rahimah Almarhum Sultan Mahmud was appointed to the Board of Puncak Niaga Holdings Berhad ("PNHB") on 1 August 2006 as an Independent Non-Executive Director. On 1 January 2007, she was re-designated as Non-Independent Non-Executive Director of PNHB following her appointment as the Executive Director of Puncak Research Centre Sdn Bhd. She was a past Member of PNHB's Audit Committee, Remuneration Committee and Nomination Committee for the period from 1 August 2006 to 31 December 2006. On 26 February 2008, YAM Tengku Dato' Rahimah was re-invited to sit on PNHB's Audit Committee.

YAM Tengku Dato' Rahimah holds a BSc in Economics and Accountancy from the City of London University, England. She is a member of the Malaysian Institute of Accountants ("MIA").

Upon completing her degree, YAM Tengku Dato' Rahimah started her career with the Hongkong Bank in London, England. She then joined Esso Malaysia Berhad before moving on to DJAJANTI Group, an Indonesian agriculture-based company.

YAM Tengku Dato' Rahimah is currently the Chairman of Loh & Loh Corporation Bhd and a Director of Cosway (M) Sdn Bhd, a direct selling company dealing in consumer goods and services and a wholly owned subsidiary of Cosway Corporation Berhad. She also sits on the Board of Saluran Arena Sdn Bhd, a subsidiary of Putrajaya Perdana Berhad and the Boards of a few private limited companies.

YAM Tengku Dato' Rahimah attended 4 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



YBhg Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak was appointed to the Board of Puncak Niaga Holdings Berhad ("PNHB") on 6 October 2008 as an Independent Non-Executive Director. He is a member of PNHB's Audit Committee and Chairman of PNHB's Remuneration Committee and Nomination Committee. He holds a Bachelor of Arts Degree (Honours) from the University of Malaya (1972) and a Certificate in Diplomacy (Foreign Service Course) from the University of Oxford (1974). In recognition of his service to the nation, he was awarded the AMN (1979), the JSM (1999), the DSPN (1999), the DMPN (2002) and the PSM (2003).

YBHG TAN SRI DATO'
AHMAD FUZI HAJI
ABDUL RAZAK
AGED 62, MALAYSIAN
INDEPENDENT
NON-EXECUTIVE
DIRECTOR OF PNHB

YBhg Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak was previously the Secretary General of the Ministry of Foreign Affairs Malaysia. He joined the Malaysian Diplomatic and Administrative Service in 1972, and served in various capacities at the Ministry of Foreign Affairs, mainly in the Political Division, and at the Malaysian Missions abroad in Moscow, the Hague, Canberra, Washington and Dhaka.

YBhg Tan Sri Dato' Ahmad Fuzi is currently the Secretary General of the World Islamic Economic Forum Foundation (WIEF); Chairman, Amanahraya-Reit; Chairman, Seremban Engineering Berhad; Executive Chairman, AsiaEP Bhd; Chairman, PKT Logistics (M) Sdn Bhd; Non-Executive Chairman, Sofgen Sdn Bhd; Chairman, Leisure Guide Publishing Sdn Bhd; Non-Executive Director, Management Development Institute of Singapore; Member, Board of Trustees, F3 Strategies Berhad; and Member, Advisory Board, Asia Pacific Entrepreneurship Award (APEA).

YBhg Tan Sri Dato' Ahmad Fuzi is also a Distinguished Fellow, Institute of Strategic and International Studies (ISIS); Distinguished Fellow, Institute of Diplomacy and Foreign Relations; Deputy Chairman, Malaysian Member Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP Malaysia); Member, Board of Trustees, MERCY, Malaysia; President, Association of Former Malaysian Ambassadors (AFMA) and Advisor, High School Bukit Mertajam Alumni Malaysia.

YBhg Tan Sri Dato' Ahmad Fuzi attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors' Profile

cont'd



MR NG WAH TAR

AGED 47, MALAYSIAN
EXECUTIVE DIRECTOR,
CORPORATE FINANCE
DIVISION OF PNHB
AND PNSB

Mr Ng Wah Tar was appointed to the Board of Puncak Niaga Holdings Berhad ("PNHB") and Puncak Niaga (M) Sdn Bhd ("PNSB") on 1 January 2010 as the Executive Director, Finance Division and was re-designated to Executive Director, Corporate Finance Division on 1 January 2011. He was also appointed a Member of PNHB's Remuneration Committee and the Compliance, Internal Control and Risk Policy Committee ("CICR") and Syarikat Bekalan Air Selangor Sdn Bhd's ("SYABAS") Audit Committee on 1 January 2010, respectively. He is a member of the Water Association of Selangor, Kuala Lumpur and Putrajaya ("SWAn"), a non-profit organisation which represents the common interest of all water supply and wastewater industries within the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya with the aim of promoting interaction with the general public, and enhancing their understanding of the water resources.

Mr Ng has more than 24 years of working experience in various areas covering auditing, accounting, finance and corporate finance. He commenced his articleship with an accounting firm in 1984 and is a member of MIA, MICPA and CPA Australia. He had previously worked with United Engineers (M) Berhad ("UEM") from 1994 to 2000 under the Management Services Divisions overseeing the finance and accounting functions of UEM.

In March 2000, Mr Ng joined PNSB as General Manager, Finance & Accounts and was promoted twice to Senior General Manager, Finance & Accounts on 1 April 2006 and Executive Director, Corporate Finance under the Executive Chairman's Office on 1 April 2007, respectively. He left PNSB on 1 September 2007 to assume the position of Executive Vice Chairman of WWE Holdings Bhd till 30 June 2009. Mr Ng resigned as the Executive Vice Chairman of WWE Holdings Bhd and rejoined PNHB Group on 1 July 2009.

Mr Ng attended 5 out of the 5 Board Meetings of PNHB held in the financial year ended 31 December 2010.

Board of Directors



YBhg Tan Sri Rozali Ismail

Executive Chairman
of PNHB Group

YBhg Dato' Hashim Mahfar

Managing Director
of PNHB and PNSB



YBhg Dato' Ruslan Hassan

Non-Independent
Non-Executive Director
of PNHB and Chief Executive
Officer of SYABAS

YBhg Dato' Ir Lee Miang Koi

Non-Independent
Non-Executive Director
of PNHB and Chief Operating
Officer of SYABAS

**YBhg Dato' Syed Danial
Syed Ariffin**

Chief Operating Officer
of PNHB and PNSB and
a Director of SYABAS

YBhg Tan Sri Dato'

Hari Narayanan Govindasamy

Independent Non-Executive
Director of PNHB



**YBhg Tan Sri Dato' Seri
Dr Ting Chew Peh**

Independent
Non-Executive Director
of PNHB

**YAM Tengku Dato' Rahimah
Almarhum Sultan Mahmud**

Non-Independent
Non-Executive Director
of PNHB

**YBhg Tan Sri Dato'
Ahmad Fuzi Haji Abdul Razak**

Independent
Non-Executive Director
of PNHB

Mr Ng Wah Tar

Executive Director,
Corporate Finance Division
of PNHB and PNSB



Key Personnel Profile - PNSB

YBHG DATO' NASIR KHAN ILLADAD KHAN

AGED 58, MALAYSIAN

EXECUTIVE DIRECTOR, BUSINESS DEVELOPMENT DIVISION

YBhg Dato' Nasir Khan Illadad Khan joined PNSB on 21 February 2006 as Executive Director, Corporate Affairs Division before being appointed as the Executive Director for Business Development Division effective from 1 January 2010. He holds a Bachelor's Degree in Social Science, Political Science (Hons) from the Universiti Sains Malaysia and a Master's Degree in Public Administration from the Pennsylvania State University, United States of America. He also possesses a Diploma in Public Management from the National Institute of Public Administration (INTAN), and attended an Executive Management Programme at the School of Government, Harvard University, United States of America. YBhg Dato' Nasir Khan has more than 32 years of management experience with the Government, holding various positions and covering areas of human resources, security, land development and finance. Prior to joining PNSB, he was the Senior Assistant Director, Budget Division at the Ministry of Finance, Malaysia.

YBHG DATUK MOHD YUNUS MOHD AMIN

AGED 63, MALAYSIAN

EXECUTIVE DIRECTOR (SPECIAL FUNCTION), EXECUTIVE CHAIRMAN'S OFFICE

YBhg Datuk Mohd Yunus Mohd Amin joined PNSB on 7 March 2011, as Executive Director (Special Function), Executive Chairman's Office. Prior to his expiration of contract with PNSB on 14 November 2010, he was the Executive Director, Human Resources & Administration Division of PNSB from 15 November 2007 to 14 November 2010. He holds a Degree in Mass Communications from the Universitas Padjajaran Bandung, Indonesia and a Diploma in Public Management from the National Institute of Public Administration (INTAN). Prior to joining PNSB on 15 November 2007, he was the Director for *Bahagian Geraksaraf Dan Perancangan Dasar, Jabatan Hal Ehwal Khas* of the Ministry of Information, Malaysia. YBhg Datuk Mohd Yunus has more than 31 years of management experience during his tenure with the Government, inclusive of 27 years of experience as Diplomatic Service Officer.

Key Personnel Profile - PNSB

cont'd

MADAM TAN BEE LIAN

AGED 45, MALAYSIAN

EXECUTIVE DIRECTOR, CORPORATE SERVICES DIVISION

Madam Tan Bee Lian joined PNSB as Company Secretary on 7 November 1994 and was promoted thrice before assuming her current position as Executive Director, Corporate Services Division on 1 January 2010, overseeing the Secretarial Department, Legal Department and Strategic Resource Centre. As Group Company Secretary, Madam Tan is responsible for PNHB Group's company secretarial and regulatory compliance. On 27 June 2008, she was appointed as a Director of Sino Water Pte Ltd. Madam Tan is a Fellow of the Malaysian Association of the Institute of Chartered Secretaries and Administrators ("MAICSA") and has more than 23 years of working experience in company secretarial practice and corporate work. She had previously worked with Projek Lebuh raya Utara-Selatan Berhad ("PLUS") and Metramac Corporation Sdn Bhd/Metacorp Berhad. She is also the winner of the ROC-MAICSA Company Secretary Award 2001 for the Listed Company Category.

IR TAN HUI KUAN

AGED 57, MALAYSIAN

EXECUTIVE DIRECTOR, OPERATION & MAINTENANCE DIVISION

Ir Tan Hui Kuan joined PNSB on August 2003 and was appointed as the Executive Director, Operation & Maintenance Division on 1 January 2010. He graduated with a Bachelor's Degree (Hons) in Civil Engineering from the University of Malaya in 1979. He has 27 years of working experience in the Public Works Department Malaysia and Lembaga Air Perak in the field of production, distribution, maintenance and consumer services management of a District Waterworks Department, geotechnical investigation, maintenance of military camps, project management of military buildings and infrastructures. Prior to joining PNSB, Ir Tan was the Assistant Director for Military Works in the Public Works Department Malaysia. While in PNSB, he has successfully executed and completed an overseas project in Chennai, India, besides local projects in Sabah and Peninsular Malaysia.

Key Personnel Profile - PNSB

cont'd

IR OOI CHENG SWEE

AGED 58, MALAYSIAN

EXECUTIVE DIRECTOR, ENGINEERING/PROJECT DEVELOPMENT DIVISION

Ir Ooi Cheng Swee joined PNSB in January 2005 as General Manager and was promoted to Senior General Manager on 1 January 2008. Ir Ooi was subsequently appointed as Director and Managing Director of Sino Water Pte Ltd on 5 June 2008 and 26 June 2008, respectively, and was seconded to oversee the China Operations effective 1 July 2008. He was appointed to his current position as Executive Director, Engineering/Project Development Division on 1 January 2010.

Ir Ooi graduated with a Bachelor of Engineering (Civil) (Hons) Degree from the University of Malaya in 1978. He has 33 years of working experience in infrastructure works, drainage, road and bridge engineering design, construction supervision of water supply schemes, water supply distribution study and operations of water treatment plants. He is a Professional Engineer registered with the Board of Engineers Malaysia and a member of the Institution of Engineers Malaysia.

Prior to joining PNSB, he was the General Manager (Maintenance & Project) of CGE Utilities (M) Sdn Bhd.

MADAM WONG LEY CHAN

AGED 51, MALAYSIAN

EXECUTIVE DIRECTOR, FINANCE DIVISION

Madam Wong Ley Chan graduated with a Bachelor of Accountancy Degree from the prestigious National University of Singapore.

Madam Wong is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). She has more than 26 years of working experience and extensive knowledge in various areas covering auditing, corporate banking and corporate debts restructuring, corporate finance, accounting, taxation and strategic financial management.

Madam Wong started her career in 1984 as a young auditor in an established accounting firm. Since then, she had served diligently in several companies at senior management level, including a 6-year stint in UEM Land Group of Companies (formerly known as Renong Group), 5 years in TRIpplc Berhad (formerly known as U-Wood Holdings Berhad) and 3 years in Syarikat Bekalan Air Selangor Sdn Bhd. Prior to joining PNSB, she was the Vice President, Finance of Scomi Engineering Bhd.

On 25 November 2010, she was appointed as Executive Director, Finance in PNSB. She is responsible for the overall finance and accounting functions of Puncak Niaga Group of Companies.

Key Personnel Profile - PNSB

cont'd

DR ABDUL RAHIM AWANG KECHIK

AGED 60, MALAYSIAN

EXECUTIVE DIRECTOR, EXECUTIVE CHAIRMAN'S OFFICE

Dr Abdul Rahim Awang Kechik joined PNSB on 1 December 2010 as Executive Director, Executive Chairman's Office. He holds a Doctorate of Philosophy Degree (PhD) in Management, a Bachelor of Arts (Hons) in Education, both from the Universiti Sains Malaysia. He obtained a Master of Business Administration from the University of Wales College of Cardiff, United Kingdom, a Postgraduate Diploma in Business Administration from the University of Birmingham, United Kingdom, and a Diploma in Public Management from the National Institute of Public Administration (INTAN). He has previously worked as a General Manager with PNSB (July 2003 until September 2009). He was an Administrative and Diplomatic Officer with the Government of Malaysia (1983 – 2003) and has held various senior positions with the Ministry of Finance, the Prime Minister Department, the Ministry of International Trade and Industry (MITI), State Economics Planning Unit State of Negeri Sembilan, Ministry of Agriculture, and Ministry of Housing and Local Government. He has previously served as an Assistant Professor with the Kulliyah of Economics and Management Sciences at International Islamic University Malaysia, Academic Administrative Officer at the Universiti Sains Malaysia, and Field Assistant (Oil Palm Plantations) with the Federal Land Development Authority (FELDA).

ENCIK ISMAIL HASHIM

AGED 57, MALAYSIAN

EXECUTIVE DIRECTOR, HUMAN RESOURCES & ADMINISTRATION DIVISION

Encik Ismail Hashim joined PNSB on 3 May 2011 as Executive Director, Human Resources and Administration Division. He holds a B.A. (Hons) from the Universiti Kebangsaan Malaysia (UKM). He has been awarded for Darjah Sri Melaka (DSM) by the Malacca State Government and 'Pingat Terpilih' (PPT) by the Selangor State Government. Prior to joining PNSB, he was the Director of Management Services Division Department of Polytechnic of the Ministry of Higher Education. He has more than 30 years of working experience in various government departments from the Ministry of Information, Director General of the Ministry of Land and Co-Operative Development, The National Registration Department of the Ministry of Home Affairs, the Selangor State Government, the Ministry of International Trade & Industry and was seconded to the British company under The Public Services Department/British Malaysia Industry & Trade Association programme (BMITA).

Key Personnel Profile - PNSB

cont'd

YBHG DATUK DR MUZAHET MASRURI

AGED 59, MALAYSIAN

SENIOR GENERAL MANAGER, STRATEGIC RESOURCE CENTRE,
CORPORATE SERVICES DIVISION

YBhg Datuk Dr Muzahet Masruri joined PNSB on 1 January 2010 as Senior General Manager, Strategic Resource Centre. He has 34 years of working experience in economics research, planning and management during his tenure with the Government. Prior to joining PNSB, he was the Deputy Director General 1 in the Economic Planning Unit, Prime Minister's Department. He held various positions i.e. Secretary General in the Ministry of Unity, Culture, Arts & Heritage, Deputy Secretary General in the Ministry of Domestic Trade & Consumer Affairs (now known as Ministry of Domestic Trade, Co-operative and Communerism), Deputy Head of Secretariat in the National Economic Action Council (NEAC) (now known as National Economic Advisory Council), Senior Assistant Director (Centre for Policy Analysis) in the Socioeconomic Research Unit, Prime Minister's Department, and Editor in Dewan Bahasa dan Pustaka. He holds a Doctorate in Economics and Masters in Development Economics, both from the University of East Anglia, United Kingdom. He obtained his Bachelor of Arts Degree from the University of Malaya, Diploma in Teaching from Sultan Idris Teachers Training College, Tanjung Malim, Perak.

Among the key strategic areas he was involved in include the preparation of the "5-Year Malaysia Development Plans", the preparation of strategic policies and stimulus packages to avert the negative impacts of the "Asian Financial Crisis in 1997", the tension between Iraq & the US in 2001 and SARS in 2003. He was also instrumental in drafting substantive policy guidelines to promote retail and distributive trade as well as addressing the price control mechanism. He was involved in bilateral trade negotiations with the USA and Chile.

MADAM LIM YEW HEANG

AGED 44, MALAYSIAN

GENERAL MANAGER, SECRETARIAL DEPARTMENT, CORPORATE SERVICES DIVISION

Madam Lim Yew Heang (Jenny) joined PNSB on 1 April 2008 as General Manager, Secretarial Department. She was appointed as the Joint Company Secretary for both PNSB and PNHB on 2 May 2008. She is a Chartered Secretary, a holder of the Institute of Chartered Secretaries & Administrators ("ICSA") qualification and an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). She has 22 years of working experience in company secretarial practice. Prior to joining PNSB on 1 April 2008, she was a Senior Manager in a leading secretarial consultancy company for 14 years.

Key Personnel Profile

- PNSB

cont'd

ENCIK HALMAR HASINA WIJAYA MUHAMMAD ISA

AGED 51, MALAYSIAN

GENERAL MANAGER, HUMAN RESOURCES & ADMINISTRATION DIVISION

Encik Halmar Hasina Wijaya Muhammad Isa joined PNSB on 16 December 2009, as General Manager, Human Resources & Administration Division. He holds a Master of Business Administration from the Akamai University, USA and a Bachelor's Degree in Human Resources Management from the Connaught University, Ireland. Encik Halmar Hasina Wijaya has more than 29 years of working experience in the fields of human resource management and administration. He has been in a senior management position for over 16 years and had played a pivotal role in providing strategic advice to the top management especially on human capital development and industrial relations issues.

Prior to joining PNSB, he was with Hitachi and Dipsol of which both are Japanese multi-national companies, for 8 years and 3 years in HR consultancy respectively. He was also attached with APM Automotive Holdings Berhad for 17 years as Head of Group, HR & Administration. Throughout his career he has been well exposed in public listed company and several multi-national companies with unionised environment. He is also a member of the Malaysian Institute of Human Resource Management (MIHRM).

PUAN HAFIZAH AHMAT

AGED 42, MALAYSIAN

GENERAL MANAGER, CONTRACT & PROCUREMENT DEPARTMENT,
MANAGING DIRECTOR'S OFFICE


Puan Hafizah Ahmat joined a QS Consultant Company in July 1992 as a Quantity Surveyor for three years. She graduated with an Advanced Diploma in Quantity Surveying from the Universiti Teknologi MARA in 1992 and was bestowed the Best Student Award. Prior to joining PNSB as General Manager, Contract & Procurement Department on 4 January 2010, she worked as a Manager with a medium sized construction company from October 1996 to December 2009. Puan Hafizah has more than 19 years of experience in quantity surveying works in the construction industry.

PUAN SURAYAH SALLEH

AGED 43, MALAYSIAN

GENERAL MANAGER, LEGAL DEPARTMENT, CORPORATE SERVICES DIVISION

Puan Surayah Salleh joined PNSB on 1 June 2010 as General Manager, Legal Department. She graduated with a Bachelor LLB (Hons.) degree from the University of London, United Kingdom, in 1993 and acquired her company secretarial licence in 1999. She had previously worked with Cempaka Finance Berhad before venturing into the construction industry. She had 17 years of working experience with several construction companies amongst them were Bina Puri Holdings Berhad and Panzana Enterprise Sdn. Bhd. She had been actively involved in negotiations of concession agreements with clients in Malaysia and overseas, drafting of agreements, advisory for overseas ventures and have been involved in corporate restructuring exercises.



Key Personnel Profile - PNSB

cont'd

ENCIK JOHARI PAWANCHIK

AGED 47, MALAYSIAN

GENERAL MANAGER, OPERATION & MAINTENANCE DEPARTMENT,
OPERATION & MAINTENANCE DIVISION

Encik Johari Pawanchik joined PNSB on 9 August 2010 as General Manager for the Operation & Maintenance Department. He graduated with a Bachelor's Degree in Science from the Universiti Kebangsaan Malaysia (UKM) in 1989. He obtained a Master's Degree in Engineering from the University of South Australia in 2008.

He has wide exposure in Production Operation Management with MNC's and GLC before joining PNSB. Prior to joining PNSB, he was attached to BHIC Boustead Holdings as Operations General Manager since 2008.

ENCIK AZRI ABD. RAHMAN

AGED 53, MALAYSIAN

GENERAL MANAGER, PROTECTIVE SERVICES DEPARTMENT,
HUMAN RESOURCES AND ADMINISTRATION DIVISION

Encik Azri Abd. Rahman joined PNSB on 1 February 2011. Formerly a Police Officer, he joined the Royal Malaysia Police in July 1977 as Probationary Inspector. Throughout his more than 33 years in the Force, he has served as a Platoon Commander Police Field Force North Brigade, Computer Programmer and System Analyst in Computer Branch Bukit Aman, Logistic Officer in Tawau police District, Licensing Officer in Sabah Police HQ, OCPD Tenom Police District, OCPD Pendang Police District and served the United Nations as Police Adviser to Sierra Leone Police, West Africa in 2006 for one and half years. His last posting was as Superintendent of Police, Deputy OCPD Brickfields Police District Kuala Lumpur.

Key Personnel Profile - PNSB

cont'd

MR CHEAH YEW BOON

AGED 40, MALAYSIAN

GENERAL MANAGER, FINANCE & ACCOUNTS DEPARTMENT, FINANCE DIVISION

Mr Cheah Yew Boon (William) joined PNSB on 28 March 2011 as General Manager, Finance & Accounts Department, Finance Division. He is a member of the Chartered Institute of Management Accountants (CIMA) and the Malaysian Institute of Accountants (MIA). He has more than 15 years of working experience in accounting, finance, taxation and corporate finance. Mr Cheah had previously served at senior management level of public listed companies and multinational company dealing in construction, information technology, investment holdings, leisure & food, manufacturing, oil & gas, property development, property investment and trading.

MR TAN SENG YUAN

AGED 47, MALAYSIAN

GENERAL MANAGER, ENGINEERING & PROJECT DEPARTMENT,
ENGINEERING/PROJECT DEVELOPMENT DIVISION

Mr Tan Seng Yuan joined PNSB on 1 April 2011 as General Manager of Engineering & Project Department. He graduated with an Honours Degree in Bachelor of Engineering (Civil) from University of Malaya in 1989.

Mr Tan has 22 years of working experience in the construction industry both in buildings and civil engineering works. Some of the notable projects he managed are Retail Podium & Basement Carpark of Capital Square (Phase II) at Jalan Munshi Abdullah in Kuala Lumpur; Government Complexes for Parcel C & Parcel D in Putrajaya; Package 3 & 5 of Sg Selangor Water Supply Scheme Phase 3 (SSP3); Stage 1 & 2 of Bukit Badong Distribution Works Phase 3 (DSS3); Telibong Water Supply Scheme in Sabah; Package 1 of New Water Supply Scheme including Upgrading & NRW Improvement Works in Terengganu; Phase II of Beaufort Water Treatment Plant in Sabah & Transmission Pipeline from Mainland Sabah to Labuan, amongst others.

Prior to joining PNSB, he was the General Manager (Project) of JAKS Sdn Bhd.

Key Personnel Profile - SYABAS

IR V SUBRAMANIAM

AGED 61, MALAYSIAN

EXECUTIVE DIRECTOR, TECHNICAL DEVELOPMENT DIVISION

Ir V Subramaniam is presently the Executive Director, Technical Development Division of Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"). He has worked with the Selangor Water Works Department ("JBAS") since 1991 and continued his services with the Perbadanan Urus Air Selangor Berhad ("PUAS") when the Water Works Department was corporatised in March 2002 and subsequently with SYABAS as the Executive Director, Operations when the water supply in Selangor and the Federal Territories of Kuala Lumpur & Putrajaya was privatised on 1 January 2005. He holds a Bachelor of Engineering (Hons) (Civil) Degree from the University of Malaya.

Ir V Subramaniam has served in the Public Works Department/Water Supply Department/PUAS/SYABAS in various capacities for the past 37 years since graduation in 1974. He has vast experience in managing water supply and privatisation of water supply. Ir V Subramaniam successfully handled the unprecedented 1998 Water Crisis in Selangor and Kuala Lumpur, then as the Deputy Director of the Selangor Water Works Department and published a complete documentation on the management of the water crisis. He has written and presented more than 25 papers on Privatisation/Corporatisation of water supply and on other technical subjects on water supply at both international and national level seminars, conferences and publications including International Water Association ("IWA"); Asia Pacific Economic Corporation ("APEC"); Economic and Social Commission for Asia & Pacific ("ESCAP") - United Nations and the Asian Development Bank ("ADB"). He has also assisted ADB in several studies on water supply in Asian cities as a domestic consultant appointed by the ADB.

MADAM THEIN KWEE SIM

AGED 47, MALAYSIAN

EXECUTIVE DIRECTOR, FINANCE DIVISION

Madam Thein Kwee Sim holds a professional qualification from Malaysian Institute of Certified Public Accountants ("MICPA") and has been a member of MICPA and Malaysian Institute of Accountants ("MIA") since 1992. Madam Thein has more than 20 years of working experience in various areas covering auditing, group accounting, corporate debt restructuring and corporate finance. Prior to joining SYABAS, Madam Thein was with the Renong Group of Companies for a total of 7 1/2 years where she served in United Engineers (Malaysia) Berhad (1992 - 1997) overseeing the group finance and accounting functions and HBN Management Office (1997 - 1999) where her role was to monitor the financial performance of the listed companies under the Renong Group in addition to the debt restructuring of several companies under the Renong Group subsequent to the financial crisis of 1997. In early 2000, she joined Jendela Permai Sdn Bhd, a financial consultancy company prior to joining SYABAS in May 2005. Her appointment as Executive Director, Finance Division of SYABAS was with effect from 1 April 2007.

Key Personnel Profile - SYABAS

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TUAN HAJI SANUSI SULIEMAN

AGED 50, MALAYSIAN

EXECUTIVE DIRECTOR, NETWORK & PLANNING DIVISION

Tuan Haji Sanusi Sulieman graduated with a Second Class Upper Degree in Civil Engineering from the University of Malaya in 1984, after which he started his career with the Penang Water Authority in 1984 holding various positions of Project Engineer, Treatment Engineer and Distribution Engineer until 1993.

In 1993 he joined a consulting engineering firm, Ranhill Bersekutu Sdn Bhd as a Senior Engineer involved in the Johor Baharu Water Supplies Privatisation Scheme. In 1994, he joined Puncak Niaga (M) Sdn Bhd ("PNSB") and was appointed as the Project Manager for the RM1.3 billion Sg Selangor Phase 2 Water Supply Scheme which involves the construction of the Sg Selangor Phase 2 Water Treatment Plant and its distribution system.

In 2000, he joined Ranhill Engineers and Contractors Sdn Bhd as the Project Director in charge of all water supply construction activities at the company. He was then promoted to Chief Operating Officer of Ranhill Civil Sdn Bhd until 2004. In 2004, he joined as the Executive Director of WWE Holdings Berhad before joining PNSB in the same year and was involved in the task force for the privatisation of PUAS to SYABAS.

Tuan Haji Sanusi was exposed to international construction works when he was assigned for the SR408 million North Jeddah Branch Sewer Network Project in the Kingdom of Saudi Arabia in 2006 before he was assigned to the position of Executive Director (Project) in SYABAS since August 2007. On 1 May 2011, he was appointed as Executive Director, Network & Planning Division.

TUAN HAJI ZAINUDDIN OTHMAN

AGED 51, MALAYSIAN

EXECUTIVE DIRECTOR, HUMAN RESOURCE & ADMINISTRATION DIVISION

Tuan Haji Zainuddin Othman joined SYABAS on 1 April 2005 as General Manager, Human Resource & Administration Division. He holds a Master of Science in Human Resource Management from the University of Lincolnshire and Humberside, United Kingdom. Prior to joining SYABAS, Tuan Haji Zainuddin was the Head of Human Resource and Administration Department at Proton Edar Sdn Bhd (subsidiary of Proton Berhad) for six years (1998-2003) and the Head of Human Resources and Administration for 5 years at PATI Sdn Bhd (subsidiary of United Engineering (Malaysia) Berhad) (1993-1997). He has more than 22 years of working experience in the areas of human resource management and general office administration. He was promoted to Senior General Manager, Human Resource Division with effect from 1 January 2007 and he is currently holding the position of Executive Director, Human Resource & Administration Division of SYABAS which he held since January 2008.

Key Personnel Profile - SYABAS

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ENCIK ABDUL HALEM HAJI MAT SOM

AGED 45, MALAYSIAN

EXECUTIVE DIRECTOR, CORPORATE AFFAIRS DIVISION

Encik Abdul Halem Haji Mat Som joined PNSB in 2004 as Personal Assistant to the Executive Chairman before he was assigned to SYABAS as Senior Manager, Corporate Communications and Public Affairs Division ("CCPA"). Encik Abdul Halem was subsequently promoted to General Manager, CCPA on 1 January 2007. He was promoted to Executive Director, Corporate Affairs Division on 1 January 2010. He holds a Diploma in Public Administration (1987) and a Bachelor's Degree in Corporate Administration (1998), both from Universiti Teknologi MARA (UiTM), and a Certificate in Manufacturing Management from the Sanno Institute of Business Administration (SIBA), Tokyo (1990). Prior to joining PNSB, Encik Abdul Halem was the Group Managing Director of Eeman Group of Companies, which dealt in manufacturing, trading, event consultancy advertising and production. Encik Abdul Halem has more than 20 years' experience in the areas of event management, film production, advertising manufacturing, human resource consultancy and training, administration and capital investment.

PUAN ROOWINA MERICAN A RAHIM MERICAN

AGE 49, MALAYSIAN

EXECUTIVE DIRECTOR, WATER QUALITY, ASSET & STRATEGIC RESOURCES DIVISION

Puan Roowina MERICAN A Rahim MERICAN joined PNSB on 22 March 1997 as a Manager in the Operations Division responsible for the Environmental Unit. She was subsequently promoted to Senior Manager, Assistant General Manager and General Manager of the Water Resources and Environmental Surveillance Department in PNSB before assuming her position as the Senior General Manager of the Water Quality Department under the Strategic Resources Division in SYABAS. With effect from 1 January 2011, she has been appointed as an Executive Director, Water Quality, Asset & Strategic Resources Division of SYABAS.

She graduated with a BSc (Hons) in Civil Engineering from the University of Surrey in 1984 and subsequently obtained her MEng (Hons) in Water Resources Development in 1991. She began her career in 1985 as a Civil Engineer with the Public Works Department, Malaysia ("PWD") and held various positions during her tenure with PWD until 1997.

ENCIK MOHAMAD ISA MOHD YASSIN, AMS, AMK

AGED 52, MALAYSIAN

EXECUTIVE DIRECTOR, SPECIAL TASK DEPARTMENT &
BUMIPUTERA ENTREPRENEUR PARTICIPATION & DEVELOPMENT

Encik Mohamad Isa Mohd Yassin joined SYABAS on 8 February 2007. He was trained in Industrial & Management Training Skills in Matsushita Electric Co in Osaka, under the Look East Policy Scheme in Japan (1986 - 1988). He has vast experience of more than 33 years in town and building development, project monitoring, public relations and manufacturing industries. Prior to joining SYABAS, Encik Mohamad Isa was the Managing Director of Haluan Prisma Sdn Bhd. He was awarded the Darjah Ahli Mahkota Selangor(AMS) from DYMM Sultan of Selangor in 2000, followed with Darjah Ahli Mahkota Kedah (AMK) from DYMM Sultan of Kedah in 2011.

Key Personnel Profile - SYABAS

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TUAN HAJI ABD RASHID ABD SATARAGED 51, MALAYSIAN
EXECUTIVE DIRECTOR, OPERATION DIVISION

Tuan Haji Abd Rashid Abd Satar holds a Diploma in Civil Engineering from the Universiti Teknologi Malaysia and a Bachelor of Civil Engineering Degree from the University of Glasgow, Scotland. He has 28 years of working experience in the water supply sector. He began his career in 1981 as a Technical Assistant and as a District Engineer of Kuala Selangor/Sabak Bernam Districts with JBAS and continued his service with PUAS from 2002 to 2005 as Senior Manager of the Kuala Langat/Sepang Districts respectively. He was the General Manager of the Klang/Shah Alam District Office of SYABAS before assuming the position as General Manager of the Petaling District Office from March 2007 until March 2009. He was later promoted as Senior General Manager of the Petaling District Office effective from 1 April 2009. On 1 February 2011, he was appointed as Executive Director, Operation Division.

He was awarded the Pingat Pekerti Terpilih (PPT) and Darjah Ahli Mahkota (A.M.S) in 1998 and 2002 respectively from the DYMM Sultan of Selangor for his dedication and services to the Selangor State.

ENCIK YUSOF BADAWIAGED 49, MALAYSIAN
EXECUTIVE DIRECTOR, PROJECT & DEVELOPMENT DIVISION

Encik Yusof Badawi joined SYABAS on 1 May 2011 as Executive Director, Project & Development Division and heads the Project Management Department, Non Revenue Water Department, Development Department and Contract Administration Department.

Encik Yusof Badawi graduated with a Bachelor of Science in Engineering, major in civil Engineering and minor in Construction and Mathematics from the Southern Illinois University, United States of America. He has 24 years of experience in the construction industry at various levels including senior and board level. He has been actively involved in management and implementation of various construction, infrastructure, housing development, waterworks and maintenance projects.

Encik Yusof Badawi was involved in the construction, testing and commissioning of Sungai Selangor Water Supply Scheme Phase 1 and Phase II from 1990 to 1998. He has also successfully managed the implementation of the RM500 million contract for the maintenance and upgrading of schools in Peninsular Malaysia under the umbrella concept for the Ministry of Education.

In May 2003, he was appointed as the Chief Executive Officer of a public listed company (PLC). Together with the management and his staff team he managed to successfully construct and complete numerous projects and turned the PLC from a loss making company into a profitable group.

Encik Yusof Badawi is a member of the Board of Engineers Malaysia, the Malaysia Institute of Management ("MIM"), the Malaysian Water Association and Dewan Perniagaan Melayu Malaysia, Selangor (professional).

Key Personnel Profile - SYABAS

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TUAN HAJI MOHD SUHAIMI RAFIE

AGED 55, MALAYSIAN

SENIOR GENERAL MANAGER, INFORMATION & COMMUNICATION TECHNOLOGY DEPARTMENT,
NETWORK & PLANNING DIVISION

Tuan Haji Mohd Suhaimi Rafie holds a Diploma, Advanced Diploma in Civil Engineering and a Post Graduate Diploma in System Analyst from the Universiti Teknologi Mara. He has 31 years of working experience in public works and the water supply sector. He began his career in 1979 as a Civil Engineer with Jabatan Kerja Raya, holding various positions until 2001. Thereafter, he joined JBAS as a Civil Engineer and continued his service under PUAS (2002 - 2004). He was the General Manager, Information & Communication Technology Department before he was promoted to Senior General Manager, Information & Communication Technology Department on 1 January 2007.

TUAN HAJI SONARI SOLOR

AGED 55, MALAYSIAN

SENIOR GENERAL MANAGER, INTERNAL AUDIT DEPARTMENT

Tuan Haji Sonari Solor joined PNSB on 10 September 1998. He is a Chartered Accountant with the Malaysian Institute of Accountants and Fellow Member of the Association of Chartered Certified Accountants (U.K). He holds a professional qualification from the Chartered Institute of Management Accounts (U.K). Tuan Haji Sonari has more than 22 years of working experience at the managerial level in the area of accounting and auditing with several public listed companies, of which the activities are on asset development manufacturing companies, logging and management consultant. Prior to joining PNSB, Tuan Haji Sonari held the position of Group Division Head, Internal Audit with Land & General Berhad.

TUAN HAJI MUHAMAD DARIF HAJI IDRIS

AGED 54, MALAYSIAN

SENIOR GENERAL MANAGER, WATER QUALITY & ASSET DEPARTMENT,
WATER QUALITY, ASSET & STRATEGIC RESOURCES DIVISION

Tuan Haji Muhamad Darif Haji Idris holds a Bachelor of Science (Engineering)(Hons) Degree from the University of Aberdeen, Scotland and an Ordinary National Diploma (Building) from the Southampton Technical College, England and has 29 years of working experience in public works and the water supply sector. His career began as Civil Engineer with JKR Tampin District. He was transferred to JBAS as District Waterworks Engineer at Hulu Langat District and continued his service with PUAS from 2002 to 2004 as Senior Manager, Operation Division. Prior to assuming his position as General Manager of Klang District Office from April 2007 until March 2009, he was the General Manager of SYABAS Petaling District Office. On 1 April 2009, he assumed the post of Senior General Manager of SYABAS Operation & Maintenance Division. With effect from 1 February 2011, he was transferred to Water Quality, Asset & Strategic Resources Division as Senior General Manager, Water Quality & Asset Department.

Key Personnel Profile - SYABAS

cont'd

TUAN HAJI YUSOF SAROJI

AGED 45, MALAYSIAN

SENIOR GENERAL MANAGER, DISTRICT DEPARTMENT

Tuan Haji Yusof Saroji holds a Diploma and Advanced Diploma in Civil Engineering from the Universiti Teknologi Mara. He has 22 years of working experience in the water supply sector. He began his career in 1988 as a Technical Assistant with JBAS and continued his service with PUAS (2002-2004) as Senior Manager of Kuala Selangor/Sabak Bernam District Office. He was then promoted to General Manager of Gombak District Office and assigned to the same position of Operation and Maintenance Department from January 2010.

In August 2010, he joined District Department as a General Manager and he was subsequently promoted to Senior General Manager effective from January 2011. Tuan Haji Yusof Saroji was exposed to operation of water supply when he was assigned as Chairman of Jawatankuasa Tindakan Jurutera Air Daerah Se Malaysia (JTJAD) for 2011/2013.

MADAM CHONG POH LENG

AGED 41, MALAYSIAN

SENIOR GENERAL MANAGER, FINANCE & ACCOUNTS DEPARTMENT, FINANCE DIVISION

Madam Chong Poh Leng joined SYABAS in April 2008 as General Manager, Finance & Accounts Department of SYABAS. She was promoted to Senior General Manager, Finance & Accounts Department of SYABAS on 1 January 2010. Madam Chong graduated with a Bachelor's Degree in Accountancy from the University of Malaya in 1995. She is a member of MIA, having more than 15 years' of working experience in auditing, corporate finance, corporate restructuring, accounting and corporate taxation. Madam Chong previously served at the senior management level of several public listed companies dealing in property development, project management, construction and manufacturing including TRIpIc Berhad.

CIK HAYATI AB WAHAB

AGED 46, MALAYSIAN

SENIOR GENERAL MANAGER, BILLING & RECOVERY DEPARTMENT, FINANCE DIVISION

Cik Hayati Ab Wahab is the Senior General Manager of Billing & Recovery Department. Previously, Cik Hayati was the General Manager of the Kuala Lumpur Regional Office from 2007 - 2010. She joined PNSB in July 2001 as an Internal Auditor before she was assigned to SYABAS in 2005 as Secretary of Works for Kuala Lumpur District.

She holds a Bachelor of Accountancy (Hons) Degree from the London Guildhall University and is a Certified Public Accountant with MICPA, Chartered Accountant with MIA and Chartered member of the Institute of Internal Auditor, Malaysia. She has 20 years of working experience in auditing covering various types of industries (eg. construction, plantation, timber, manufacturing and government bodies), due diligence review and profit & cash flow forecasts, internal audits in the areas of financial, risk management and investigation. She has experience working in England, Bangkok and Singapore.

Key Personnel Profile - SYABAS

cont'd

IR NASIR ISMAIL

AGED 48, MALAYSIAN

SENIOR GENERAL MANAGER, CONTRACT & PROCUREMENT DEPARTMENT

Ir Nasir Ismail is a member of the Board of Engineers (BEM), MWA, SWAn, IWA and Registered Gas Engineer with the Energy Commission, Ministry of Energy, Green Technology and Water. He holds a Bachelor of Science Degree in Civil Engineering from the Memphis State University, Tennessee, USA in 1985 and MSC in Environmental Engineering from the Shimane University, Japan in 1992.

Prior to joining SYABAS, Ir Nasir was one of the task force members for the privatisation of SYABAS and has served PNSB since 1998 as Senior Manager responsible for upgrading and rehabilitation of 24 water treatment plants under the Concession Agreement with the Selangor State. Currently, Ir Nasir is the Senior General Manager of the Contract & Procurement Department in SYABAS. He had served Majlis Perbandaran Seremban, Consulting Engineer firms, contractors and Gas Malaysia Sdn Bhd prior to joining PNSB.

TUAN HAJI ARIFF IBRAHIM

AGED 49, MALAYSIAN

SENIOR GENERAL MANAGER, PETALING DISTRICT, CENTRAL ZONE, DISTRICT DEPARTMENT

Tuan Haji Ariff Ibrahim joined PNSB in January 2005 and was assigned to SYABAS as General Manager, Operation & Maintenance Division in January 2006 and later as General Manager of the Hulu Langat District Office. On 1 February 2011, he was promoted as Senior General Manager of the Petaling District Office. He graduated with a Bachelor of Civil Engineering (Hons) Degree from the Universiti Teknologi Malaysia in 1984 and subsequently obtained a Masters Degree in Business Administration from the Universiti Kebangsaan Malaysia in 2001. Tuan Haji Ariff has more than 20 years of working experience in the water industry covering operation and maintenance of water treatment plants, operation and maintenance of water supply, construction supervision of water supply schemes, safety and health and also human resource and administrative matters. Prior to joining PNSB, he worked with JBAS and CGE Utilities (M) Sdn Bhd.

IR AHMAD MARZUKI HASHIM

AGED 49, MALAYSIAN

GENERAL MANAGER, CHIEF OPERATING OFFICER'S OFFICE

Ir Ahmad Marzuki Hashim graduated with a Bachelor of Science Degree in Civil Engineering (Hons) from the Ohio University in Athens in 1984 and Master of Science Degree in Environmental, Civil Engineering from the University of Liverpool, England in 1994. He is a Civil Engineer by profession and has been with PNSB since March 1997. He began his career with PNSB as a Manager of the Dam Operation Department and was subsequently promoted to the positions of Senior Manager, Assistant General Manager of the Dam Operation Department and General Manager of the Business Development Department. He then joined SYABAS as General Manager in the Chief Operating Officer's Office in August 2009. Ir Ahmad Marzuki has more than 26 years' experience in the water industry and has held various positions during his tenure with the Public Works Department's Waterworks Branch.

Key Personnel Profile - SYABAS

cont'd

PUAN HAJJAH NIK ALIENA SALWANEE DATO' NIK MOHAMED

AGED 48, MALAYSIAN
GENERAL MANAGER, LEGAL & ENFORCEMENT DEPARTMENT

Puan Hajjah Nik Aliena Salwanee Dato' Nik Mohamed is the General Manager of the Legal & Enforcement Department of Syarikat Bekalan Air Selangor Sdn. Bhd. ("SYABAS"). She joined the Company on 1 August 2007. She is a barrister-at-law of the Honorable Society of Lincoln's Inn, London, England and holds a Bachelor of Laws (Hons.) Degree from the Middlesex University, London, England. She also holds a Master of Laws Degree from the King's College, University of London.

Since graduating in 1986, she has worked in both legal practice and corporate advisory having practised for eight years as an advocate and solicitor and spent nine years as the Head of the Legal and Secretarial Department and Company Secretary of PROTON Holdings Berhad. She joined SYABAS on 1 August 2007.

IR DR TEOH SENG GIAP

AGED 45, MALAYSIAN
GENERAL MANAGER, NETWORK & INSTRUMENTATION DEPARTMENT,
NETWORK & PLANNING DIVISION

Ir Dr Teoh Seng Giap graduated with a Bachelor of Engineering (Hons) and a Doctor of Philosophy (Engineering) from the University of Western Australia in 1989 and 1995 respectively. He has 13 years of working experience with established engineering consulting firms holding various positions. Ir Dr Teoh has participated in civil engineering design development, contract documentation and administration, project management, proposal and concept paper preparation, and project procurement. He has played key roles in projects involving hydraulic modelling, river engineering and flood mitigation. Ir Dr Teoh was an Associate Director at Sepakat Setia Perunding Sdn Bhd and actively involved in inception, design and implementation of Stormwater Management and Road Tunnel (SMART) Project. He joined PNSB on 1 April 2008 as General Manager (Hydrology & Hydraulics), Chief Operating Officer's Office. On 1 January 2010, he assumed the position as SYABAS' General Manager of Network and Instrumentation Department. He is a Professional Engineer registered with the Board of Engineers Malaysia and a member of the Institution of Engineers Malaysia.

ENCIK SHAHRUDDIN AB RAHMAN

AGED 47, MALAYSIAN
GENERAL MANAGER, KUALA LUMPUR DISTRICT, CENTRAL ZONE, DISTRICT DEPARTMENT

Encik Shahrudin Ab Rahman joined SYABAS on 1 July 2009 as the General Manager, Billing and Recovery Department. On 1 January 2011, he was transferred to the Kuala Lumpur District as General Manager of Kuala Lumpur District. He holds a Bachelor in Accounting (Advanced Diploma in Accounting) from the MARA University of Technology. Prior to joining SYABAS, he served Telekom Malaysia Berhad ("TM") for 22 years with various Divisions and Subsidiary Companies of TM. He was the Chief Financial Officer for two TM Subsidiary Companies namely GITN Sdn Bhd and TM Payphone Sdn Bhd. He was also involved in the spun off of a few TM's Divisions into full subsidiaries of TM such as TM Research Sdn Bhd and TM Payphone Sdn Bhd. He was also involved with the take over of GITN Sdn Bhd being the subsidiary Company of PNB Berhad to be a full subsidiary of TM. His last project with TM was as the Business Controller for the Malaysian Emergency Response System 999 project where TM was appointed by the Kementerian Tenaga, Air and Komunikasi to develop and maintain the system which will provide emergency facilities to the public.

Key Personnel Profile - SYABAS

cont'd

ENCIK AHMAD SUHAIDIN ISMAIL

AGED 50, MALAYSIAN

GENERAL MANAGER, KLANG DISTRICT, SOUTHERN ZONE, DISTRICT DEPARTMENT

Encik Ahmad Suhaidin Ismail joined Jabatan Bekalan Air ("JBA") as a Technical Assistant on 15 October 1984. On 15 August 2002, he was transferred from the Gombak District to Klang/Shah Alam District as Manager. He was appointed Senior Manager (2005 – 2006). He was later appointed as Assistant General Manager on 1 January 2007 and subsequently as General Manager on 1 April 2009, a position he currently holds. He is responsible in managing the Klang/Shah Alam District.

He has worked with Jabatan Bekalan Air Selangor ("JBAS") and had continued his services with Perbadanan Urus Air Selangor Berhad ("PUAS") from 2002 to 2004. Encik Ahmad Suhaidin has served JBA, PUAS and SYABAS in various capacities for the past 27 years of service.

He graduated in 1999 with a Bachelor of Engineering (Civil) Degree from the University Technology Malaysia.

ENCIK MOHD YAMAN MOHD ZIN

AGED 55, MALAYSIAN

GENERAL MANAGER, CUSTOMER SERVICE DEPARTMENT, CORPORATE AFFAIRS DIVISION

Encik Mohd Yaman Mohd Zin holds an Ordinary National Diploma in Technology (Engineering) from the Oldham College of Technology, England and graduated from the University of Sussex, England in 1982 with a Bachelor of Science Degree in Structural Engineering. Encik Mohd Yaman has 28 years of working experience involving engineering and environmental consultancy, business development, project/construction management, residential and commercial development and special projects.


Prior to joining SYABAS as General Manager, Water Quality Division in 2007, he had held various senior positions amongst others, as Senior Project Manager with Faber Group Berhad, Chief Operating Officer with ASM Development (Terengganu) Sdn Bhd, Deputy General Manager with Teknik Cekap Sdn Bhd, General Manager with Mercumaju Sdn Bhd, Head of Construction Division with Protellus (M) Sdn Bhd and Construction Manager for Jeddah Sewer Network Project with WWE Holdings Bhd.

ENCIK ABD LATIF ISMAIL

AGED 49, MALAYSIAN

GENERAL MANAGER, HUMAN RESOURCE & ADMINISTRATION DEPARTMENT

Encik Abd Latif Ismail joined SYABAS on 20 August 2010 as General Manager, Human Resource & Administration Department. He holds a Masters Degree in Science, Human Resources Management from the University of Lincolnshire & Humberside, United Kingdom. His exposure in human resources roles primarily in the financial industry includes Resourcing, Employee Relations, Industrial Relations, Training, Performance Management and Rewards & Benefits. In his last attachment, during a demutualisation exercise he plays an active role as a team member of Change Management. Amongst the deliverables achieved through the HR programs that he was personally involved in, were job redesigning, manpower planning, right-sizing, culture profiling & internalisation and effective employees' communication.



Key Personnel Profile - Sino Water Pte Ltd

YBHG DATO' SYED DANIAL SYED ARIFFIN

AGED 53, MALAYSIAN
CHAIRMAN, SINO WATER PTE LTD

YBhg Dato' Syed Danial Syed Ariffin was appointed to the Board of Sino Water Pte Ltd ("Sino Water") and as the Chairman of Sino Water on 1 January 2010 respectively. He is the Chief Operating Officer of PNHB and PNSB. YBhg Dato' Syed Danial is a civil engineer by profession and has been with the PNHB Group since December 1995. He holds a BSc (Hons) Degree in Civil Engineering from the University of Aston in Birmingham, United Kingdom.

As Chairman of Sino Water, YBhg Dato' Syed Danial Syed Ariffin is responsible for the stewardship of the Board of Sino Water and its subsidiaries in the People's Republic of China.

The full details of YBhg Dato' Syed Danial's profile are as detailed on page 33 of this Annual Report.

IR OOI CHENG SWEE

AGED 58, MALAYSIAN
MANAGING DIRECTOR, SINO WATER PTE LTD

Ir Ooi Cheng Swee was appointed to the Board of Sino Water Pte Ltd ("Sino Water") on 5 June 2008. He was subsequently appointed as the Managing Director of Sino Water on 26 June 2008. He is the Executive Director, Engineering/Project Development Division of PNSB. Ir Ooi is a civil engineer by profession and holds a Bachelor of Engineering (Civil) (Hons) Degree from the University of Malaya.

As the Managing Director of Sino Water, Ir Ooi is responsible for the day-to-day management, operations and project implementation of all projects undertaken in the People's Republic of China including identifying potential projects, liaisons with the regulatory authorities and provincial heads of the respective government bureaus.

The full details of Ir Ooi Cheng Swee's profile are as detailed on page 42 of this Annual Report.

Five-Year Financial Highlights

In RM'000	31 Dec 10	31 Dec 09	31 Dec 08	31 Dec 07	31 Dec 06
		Restated	Restated	Restated	Restated
KEY RESULTS					
Revenue	1,911,514	1,887,000	1,415,283	1,388,383 +	1,438,706 +
Profit before tax	268,368	312,606	54,879 ^	113,938 +	375,493 +
Net profit attributable to owners of the parent	119,512	142,320	21,622 ^	64,184 #+	297,087 #+
STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	1,609,714	1,597,241 *	1,637,665 *	1,603,610 **	1,515,525 **
Project development expenditure	4,497,425	3,994,674	3,463,997 ^	2,411,218 +	1,429,790 +
Other non-current assets	1,102,524	1,167,585	1,287,723 ^	1,248,470	1,272,187
Current assets	2,396,658	1,999,610	1,388,883	1,473,942 +	2,233,311 +
Total assets	9,606,321	8,759,110	7,778,268	6,737,240	6,450,812
ISSUE AND PAID-UP CAPITAL					
Share capital	411,143	411,143	411,143	411,143	587,347
Reserves	1,090,288	1,062,658	961,485 ^	986,094 #+	1,280,249 #+
Equity attributable to owners of the parent	1,501,431	1,473,801	1,372,628	1,397,237	1,867,596
Net assets per share attributable to owners of the parent (RM)	3.67	3.60	3.36 ^	3.40 #+	3.25 #+
RATIOS AND STATISTIC					
Net profit margin attributable to owners of the parent (%)	6.25	7.54	1.53 ^	4.62 #+	20.65 #+
Basic earnings per share attributable to owners of the parent (sen)	29.21	34.79	5.29 ^	15.61 #+	90.94 #+
Loans and borrowings (RM'000)	5,486,963	5,376,769	4,784,802	3,760,457	2,923,089
Gearing ratio (%)	80	78	78	73 #+	58 #+
Current ratio (times)	0.96	1.28	0.98	1.28 +	2.02 +

These comparatives have been restated to take into account the effects of the adoption of FRS 112: Income Taxes.

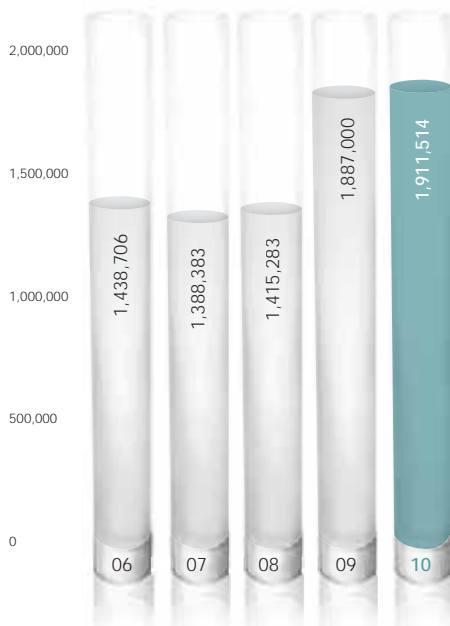
+ These comparatives have been restated to take into account the effects of understatement of trade receivables and retained earnings of prior years due to underrecognition of revenues for prior years.

^ These comparatives have been reclassified to take into account the effect of the purchase price allocation exercise which was undertaken to assess the provisional concession right during the current financial year by the Group under the FRS 3: Business Combinations.

* These comparative have been restated following the adoption of the amendment to FRS 117 - Leases in 2010, which resulted in the reclassification of leasehold land as property, plant and equipment retrospectively.

Five-Year Group Performance

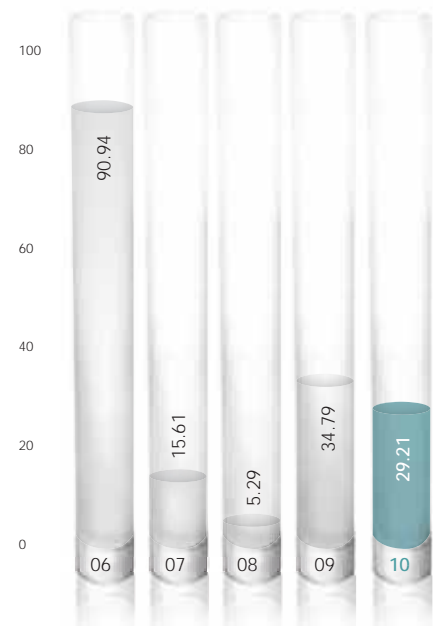
REVENUE
RM'000



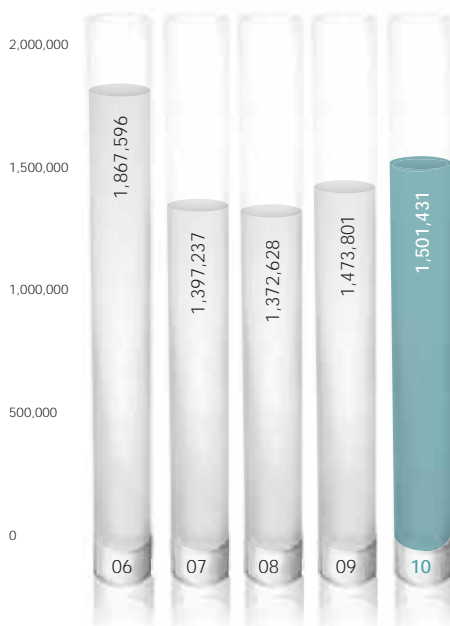
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT
RM'000



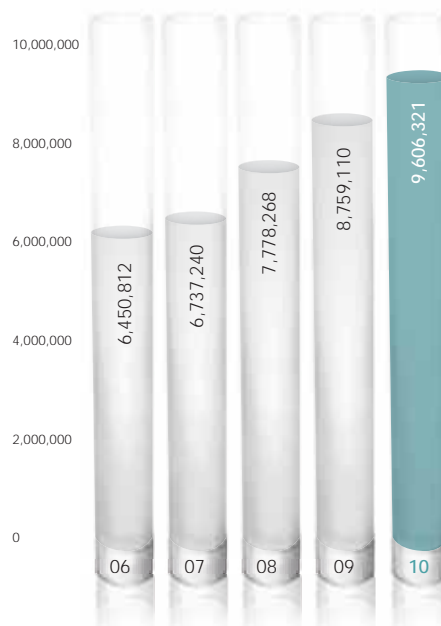
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT
Sen



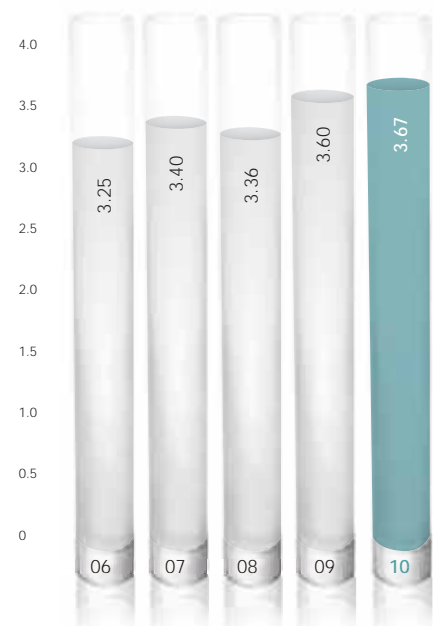
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT
RM'000



TOTAL ASSETS
RM'000



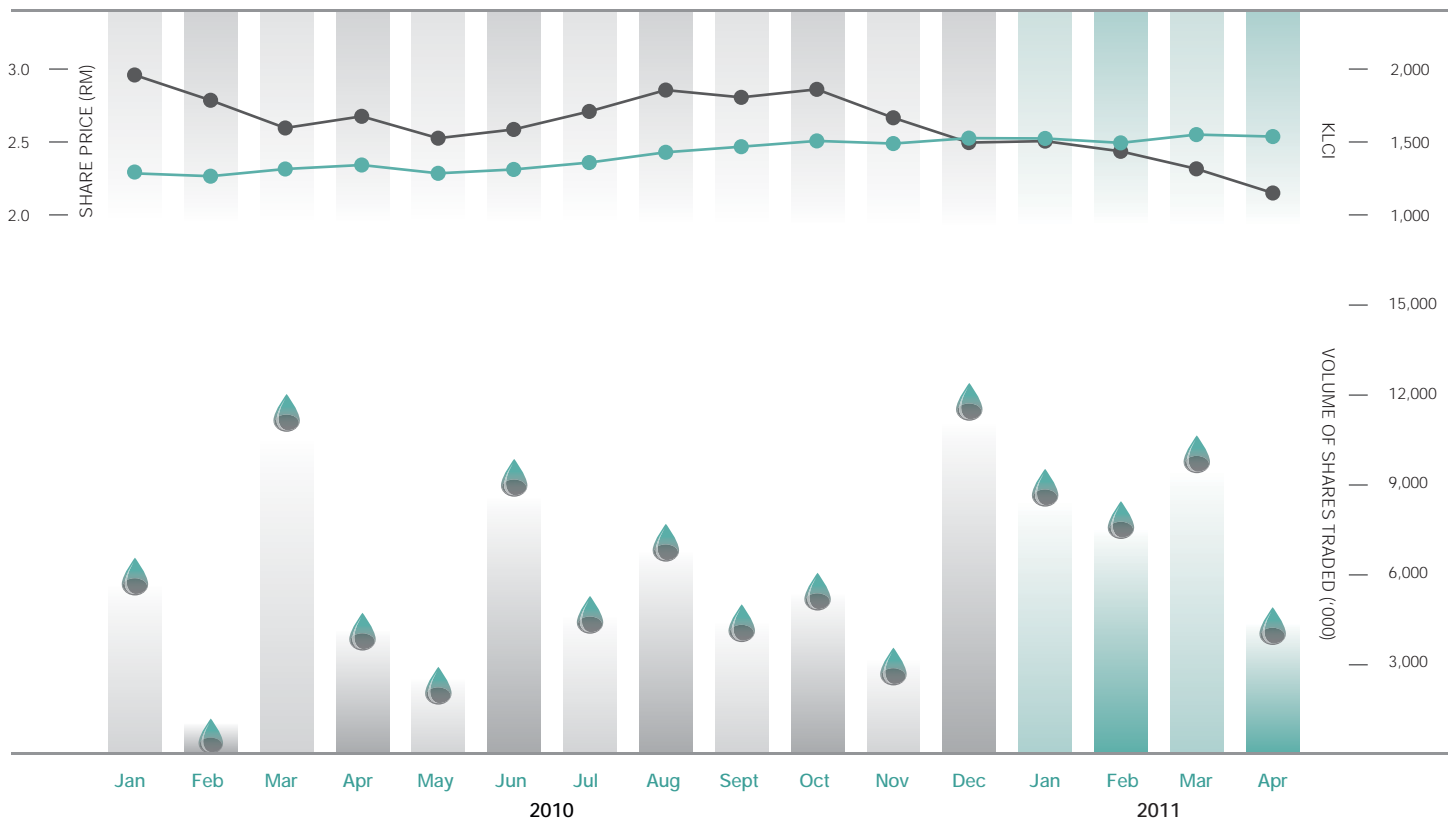
NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT
RM




Share Price & Volume Traded

SHARE PRICE MOVEMENT

	2010												2011			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Volume of Shares Traded ('000)	6,561	1,172	12,020	4,720	2,917	9,821	5,279	7,688	4,999	6,059	3,554	12,390	9,524	8,442	10,637	4,906
PNHB Monthly Average Closing Prices (RM)	2.96	2.79	2.60	2.68	2.53	2.59	2.71	2.86	2.81	2.87	2.67	2.50	2.51	2.44	2.32	2.16
FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI) Monthly Average Closing Prices	1,278	1,257	1,298	1,337	1,285	1,314	1,361	1,422	1,464	1,506	1,485	1,519	1,520	1,491	1,545	1,535



 Volume of Shares Traded
  PNBH Monthly Average Closing Prices
  Kuala Lumpur Composite Index (KLCI) Monthly Average Closing Prices

Financial Calendar

2010

26 May 2010

WEDNESDAY

First Quarter Results
ended 31 March 2010

26 August 2010

THURSDAY

Second Quarter Results
ended 30 June 2010 with
limited review conducted by
the Company's External Auditors

25 November 2010

THURSDAY

Third Quarter Results
ended 30 September 2010
with limited review conducted by
the Company's External Auditors

2011

24 February 2011

THURSDAY

Fourth Quarter Results
ended 31 December 2010
with limited review conducted by
the Company's External Auditors

26 April 2011

TUESDAY

Audited Financial Statements
for the financial year
ended 31 December 2010

3 June 2011

FRIDAY

Published Annual Report 2010

27 June 2011

MONDAY

Fourteenth
Annual General Meeting

Milestones

1997



08 JUL 97

08 JUL Listing on the Main Board of the KLSE (now known as Main Market of Bursa Malaysia Securities Berhad effective 3 August 2009) and launching of Puncak Niaga Holdings Berhad's ("PNHB") Homepage.

16 OCT Signing Ceremony of Turnkey Construction Contract between PNSB and Seni Kembara-Hazama-Central Energy-OTV Consortium for the construction of Stage 2 of SSP2 Water Treatment Plant ("WTP").

1998



14 MAR 98

14 MAR Rivercare Campaign I for school children was launched by YB Datuk Haji Mohd Khalid Mohd Yunus, the former Deputy Minister of Education.

20 JUL Official Ceremony to mark the release of initial 100 MLD of treated water at SSP2 WTP.

1999

04 JAN PNHB was included in the KLSE Composite Index (now known as FTSE Bursa Malaysia Kuala Lumpur Composite Index).



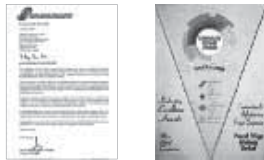
09 APR 99

09 APR Signing Ceremony of the Second Amendment to the Construction Cum Operation Agreement.

01 DEC PNHB was included in the Morgan Stanley Capital International Standard Index.

2000

12 OCT PNHB won the KLSE Corporate Excellence Award 2000 for Main Board Companies and the KLSE Corporate Sectoral Award 2000 for Main Board Infrastructure Project Companies.



08 NOV PNHB was honoured with the NACRA 2000 Industry Excellence Award for the 'Construction & Infrastructure Project Companies' category.

2001

19 APR PNHB received the Certificate of Approval by Lloyd's Register Quality Assurance ISO 9002:1994, EN ISO 9002:1994, BS EN ISO 9002:1994, MS ISO 9002:1994 for Quality Management System of Wangsa Maju WTP.

06 NOV PNHB was awarded the NACRA 2001 Industry Excellence Award under the 'Construction & Infrastructure Project Companies' category.

PNSB received the Occupational Safety & Health Award 2000 Gold Award for SSP2 WTP.



10 NOV PNHB was awarded the Anugerah Citra Laporan Tahunan 2001 by Dewan Bahasa dan Pustaka.

2002



26 MAR PNHB Group's Executive Chairman, YBhg Tan Sri Rozali Ismail was awarded the Asia Water Management Excellence Award 2002 under the Individual Award Category.

31 OCT PNHB was awarded the NACRA 2002 Industry Excellence Award under the 'Construction & Infrastructure Project Companies' Category.

2003



20 FEB PNHB received the Asiamoney Corporate Governance Poll 2002 Award for 'Best Corporate Governance Standards in the Utilities Sector in Malaysia'.

14 JUN PNHB received the Institute of Public Relations Malaysia IPRM Crystal Award 2002 under the Environmental Relations Category for the River Rescue Brigade Programme and the Voluntary Relations Category for the Educational Outreach Programme.

2004

13 FEB PNHB was awarded the KLSE Corporate Sectoral Award 2003 for Main Board by Bursa Malaysia.

15 DEC Concession Agreement for the Privatisation of Water Supply Distribution in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya between SYABAS, the Federal Government and the Selangor State Government.



31 DEC 04

31 DEC Handover Ceremony of the 26 WTPs in Selangor, Kuala Lumpur and Putrajaya from CGE Utilities (M) Sdn Bhd to PNSB at Bukit Nanas WTP.

Milestones

cont'd

2005



01 JAN 05

01 JAN YAB Dato' Seri Dr Mohd Khir Toyo officiated the ceremony to mark the commencement of operations of SYABAS at SYABAS' Headquarters.

19 JAN YBhg Tun Dr Lim Keng Yaik, the former Minister of Energy, Water and Communications, witnessed the Signing Ceremony of the Financing Facilities Agreement between SYABAS and a panel of financial institutions at Hotel Istana Kuala Lumpur.

2006

16 OCT PNHB announced a capital repayment of up to RM767.84 million via a cash distribution to reward its shareholders.



28 NOV 06

28 NOV Official Opening Ceremony of Wisma Rozali, Shah Alam, Selangor.

2007



15 MAR 07

15 MAR Signing Ceremony of the Collaboration Agreement between Puncak Research Centre Sdn Bhd and DHI Water • Environment • Health Denmark.

30 MAR Handover Ceremony of Sg Sireh WTP from Kumpulan Perangsang Selangor Berhad to PNSB.

15 MAY SYABAS garnered the 2007 Malaysia Water Award (Management Category) for PUSPEL.

26 JUNE PNSB's 'Ekspedisi Menuju Puncak' at Mount Kinabalu, Sabah.



14 NOV 07

14 NOV PNSB received an Honourable Mention for its River Rescue Brigade at the Prime Minister's Corporate Social Responsibility Awards 2007.

2008

22 MAY PNHB was shortlisted under the Social Reporting Category for ACCA Malaysia Environmental And Social Reporting Awards (MESRA) 2007 [now known as ACCA Malaysia Sustainability Reporting (MaSRA) Awards].

11 NOV SYABAS was awarded the Malaysian Business Ethics Excellence Award 2008 under the Large Company Category.



17 NOV & 15 DEC PNSB received the Integrated Management System (IMS) Certification for the Provision of Construction Services certified by URS Certification (M) Sdn Bhd (URS) and accredited under United Kingdom Accredited Service (UKAS).

19 NOV PNHB was awarded the NACRA 2008 Industry Excellence Award for Main Board Construction & Infrastructure Project Companies Category.



2009

10 JAN SYABAS launched PUSPEL's new logo with the service motto "Friendly, Committed and Trusted" as a symbol of SYABAS' ongoing commitment to provide the best services to consumers.



13 AUG PNHB was the winner for Integrated Reporting in an Annual Report at ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2009.



19 MAY SYABAS was awarded Silver Awards for Innovation in "Information Technology, Computer Software and Training Category" and "Solution Technology in Water Manager" at Water Inno Awards 2009 - Malaysian Water Association.

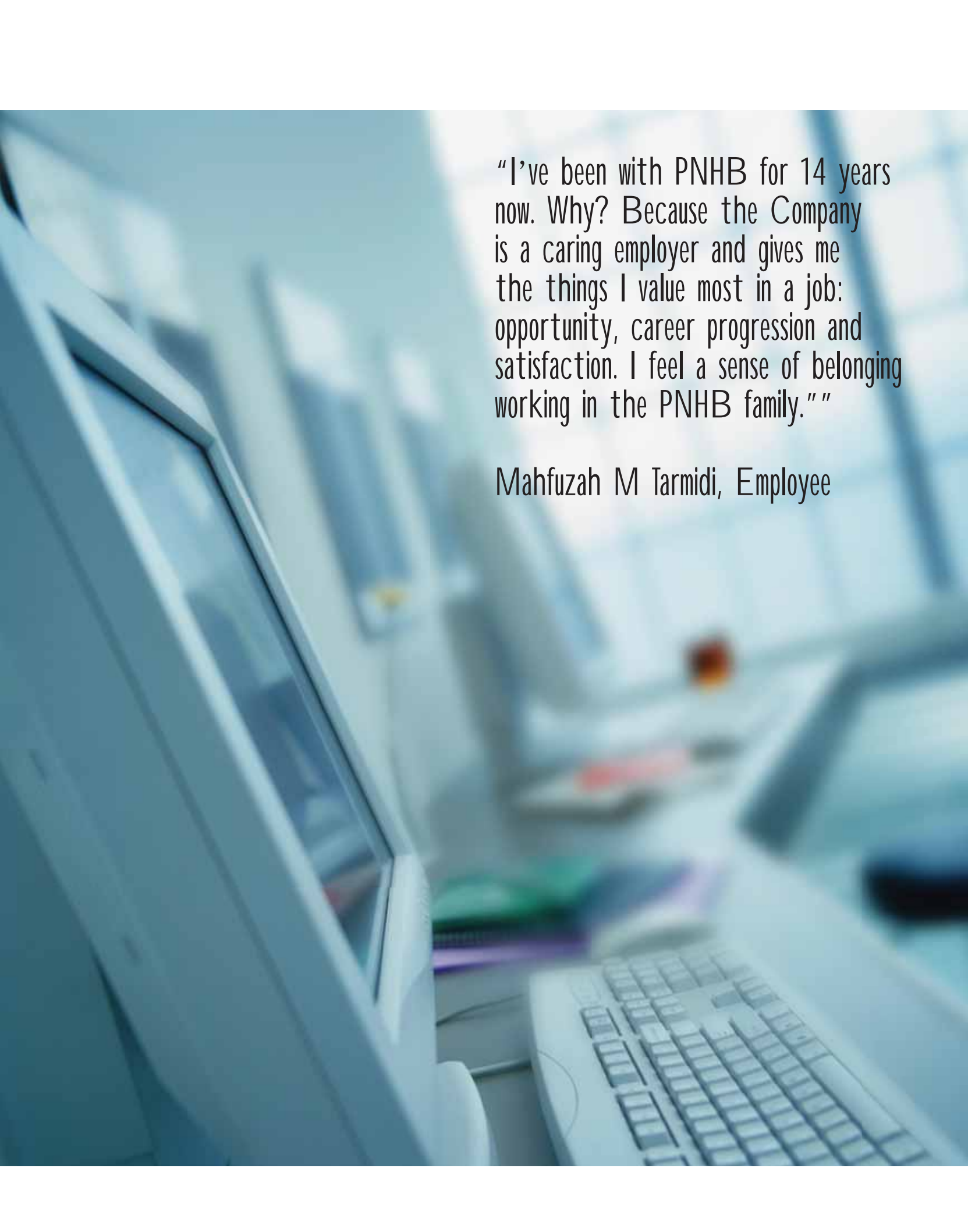
1 DEC PNHB was awarded the Certificate of Merit at National Annual Corporate Report Awards (NACRA) 2009.

13 APRIL Two of SYABAS' teams were awarded Gold Awards at the Innovative & Creative Circle Central Region Mini Convention 2010.



We are dedicated to building the skills and capabilities of our workforce, enabling them to grow with us and thereby support the sustainable development of the Company and Group.





"I've been with PNHB for 14 years now. Why? Because the Company is a caring employer and gives me the things I value most in a job: opportunity, career progression and satisfaction. I feel a sense of belonging working in the PNHB family." "

Mahfuzah M Tarmidi, Employee

Operations Review Puncak Niaga (M) Sdn Bhd

Throughout 2010, Puncak Niaga (M) Sdn Bhd ("PNSB") consistently maintained the operations of its Water Treatment Plants ("WTPs") at optimum production capacity in ensuring an uninterrupted supply of high quality treated water, while simultaneously pursuing a programme of systems and facilities upgrades.

WATER TREATMENT PLANT OPERATIONS

PNSB operates, manages and maintains 29 WTPs with a combined capacity of 1,930 million litres per day. In 2010, PNSB delivered 692.19 million cubic metres of treated water, a decrease of 0.90% from 698.47 million cubic metres of treated water produced in 2009. The decrease in the treated water production was due to lower treated water demand from Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") following SYABAS' restructuring of the distribution networks and NRW reduction in the distribution system.

In 2010, our WTPs achieved an impressive 99.9% compliance with stipulated treated water quality standards, based on 39,798 samples tested by both the Independent Laboratory and our Central Laboratory.

As well as quality, we are dedicated to providing dependability of supply. To ensure that consumers can rely on a constant supply of treated water, we endeavour to minimize unscheduled WTP shutdowns. Although, in 2010, our WTPs experienced 1,290 hours of shutdowns for reasons beyond our control (as shown in the table below), this did not result in interruptions to the consumers' water supply, and all our WTPs consistently met production demands.

Cause of Shutdown	Hours of Shutdown
Raw water violation	972.00
TNB power supply interruption	211.31
Pipe leak/burst	107.00
Total Hours	1,290.31

The performance of our WTPs in 2010 was as follows:-

- The Sg Selangor Phase 2 ("SSP2") WTP produced 348.31 million cubic metres of treated water, down 0.91% on the 351.50 million cubic metres recorded in 2009. The average daily production dipped to 954.28 million litres from 963.00 million litres in 2009, but exceeded its daily designated capacity of 950 million litres.
- Wangsa Maju WTP produced 16.72 million cubic metres of treated water, an increase of 0.24% on 16.68 million cubic metres recorded in the previous year. The average daily production was 45.80 million litres as against 45.70 million litres in 2009. Its daily design capacity is 45 million litres.
- Sg Sireh WTP achieved a yearly treated water production of 7.43 million cubic metres, 4.13% down on the 7.75 million cubic metres produced in 2009. The average daily production was 20.36 million litres compared to 21.33 million litres in 2009. Its daily designated capacity is 27.28 million litres.



PNHB's Corporate Headquarters at Wisma Rozali, Shah Alam, Selangor

- The 26 WTPs under the Privatisation Cum Concession Agreement ("PCCA") dated 22 September 1994 produced 318.92 million cubic metres of treated water, a 0.83% drop from 321.59 million cubic metres recorded in 2009. The average monthly treated water production for 2010 was 26.58 million litres against 26.80 million litres in 2009 but the WTPs exceeded their daily designated capacity of 26.28 million litres as required in the PCCA.

Overall, all our 29 WTPs performed well and achieved the expected levels as required under the Concession Agreements and met SYABAS' requirements for treated water as well as the Drinking Water Quality Standards as stipulated by the Ministry of Health ("MOH").

PLANT IMPROVEMENT WORKS

In 2010, PNSB carried out a number of plant improvement works.

Upgrading and Rehabilitation of Filtration Systems

The filtration systems at 14 of our WTPs were upgraded and rehabilitated during the year not only to enhance the quality of the water produced but to extend the lifetime of the systems.

Upgrading of the Rantau Panjang WTP Power Supply

In response to the inconsistent quality of the power supply received from the service provider by the Rantau Panjang WTP, in 2010, PNSB opted to upgrade the existing power supply installation in collaboration with Tenaga Nasional Berhad ("TNB"). As a result, TNB has now provided a dedicated system which will deliver a consistent power supply to all the Rantau Panjang WTP's machinery, thereby minimizing interruptions due to power supply failures.

Rehabilitation of Timber Baffles at the BRH and Kuala Kubu Bharu WTPs

To enhance the process of water purification, PNSB replaced the aging timber baffles at the BRH and Kuala Kubu Bharu WTPs. The baffles serve to improve the coagulation process retention period, resulting in better formation of flocs, which in turn raise the settled water quality. This helps remove particles and aluminum residue and boosts the cleanliness of the treated water supplied to consumers.

WATER FILTER PERFORMANCE

We closely and continuously monitor the water filter performance as the filtration process is the final step in the water treatment process, and eliminates fine suspended solids that float and escaped at the clarification stage. Details of the Water Filter Performance are set out under "Preserving Our Environment", page 147 of this Annual Report.

In 2010, our WTPs achieved an impressive 99.9% compliance with stipulated treated water quality standards, based on 39,798 samples tested by both the Independent Laboratory and our Central Laboratory.



◀ Aeration process to oxidize the raw water at SSP2 WTP

Operations Review Puncak Niaga (M) Sdn Bhd

cont'd

DAM OPERATIONS

PNSB operates and maintains the Sg Langat, Klang Gates and Tasik Subang Dams. Performance in 2010 was good, and there was no critical storage drawdown at any of the dams in 2010.

Our operators are guided by Dam Operations Control Curves to monitor, analyze and forecast the rainfall pattern and monitor the rainfall levels in the dams' catchment areas, make decisions about the release of raw water, meet the demand from the WTPs, and conserve as much reservoir water as possible. Throughout 2010, the Sg Langat Dam reservoir level was maintained above Control Curve 1. At the Klang Gates and Tasik Subang dams, though the water levels were not constant, the WTPs' demands were all met. Proper and effective planning on dam management operation has led to effective dam raw water storage, with all dam levels above their respective control levels and sufficient to provide continuous raw water supply to the WTPs.

During the year, total annual rainfall at the three catchments areas was lower than the mean average rainfall (based on data from 1998 to 2009), as shown below.

Dam	Rainfall as at 31 December 2010 (mm)	Average rainfall from 1998 – 2009 (mm)	Variance against average (%)
Sg Langat Dam	2,171.80	2,480.73	-12.45
Klang Gates Dam	2,756.10	2,823.45	-2.39
Tasik Subang Dam	2,222.10	2,489.87	-10.75

The Malaysian Meteorological Department has forecasted an average annual rainfall of 2,305 mm for 2010 and, with prudent management of the dams and constant monitoring of the dam reservoir levels, PNSB ensures the sustainability of water supply in Selangor.

To ensure the safety, efficiency and stability of the dams, PNSB conducted two major visual safety inspections in 2010. The inspections covered all major dam structures as well as mechanical and electrical equipment to detect any dam safety deficiencies, to evaluate and investigate encroachments at the dams and to recommend appropriate corrective actions. No major deficiencies were identified.

CERTIFICATIONS

ISO 14001 Environmental Management System

In 2003, SSP2 WTP became the first WTP in Malaysia to gain the Environmental Management System accreditation, which has been successfully maintained ever since without any significant non-compliance. This is to ensure that the operation and maintenance of the WTP complies with the Environmental Guidelines and Requirements.

ISO 9001 Quality Management System

In 2010, some 20 WTPs under PNSB management (including the SSP2 and Wangsa Maju WTPs) were upgraded from ISO 9001:2000 to ISO 9001: 2008. This is in line with PNSB's commitment and standard in carrying out the operation and maintenance of WTPs in line with established international standards.



Raw water intake at SSP2 WTP

OHSAS 18001 Safety Management System

The SSP2 WTP obtained OHSAS 18001: 2007 certification in February 2010. We are now working towards the same certification for the 28 other WTPs we manage.

INFORMATION AND COMMUNICATION TECHNOLOGY ("ICT")

In 2010, we launched various initiatives to strengthen PNSB's core operations in providing seamless and efficient communications and IT systems.

Communication

The new GSM gateway enables WTPs to send reports by fax wirelessly using 3G spectrum from CELCOM. As the main telephone lines are unstable at several WTPs, and thefts of Telekom Malaysia ("TM") copper cables have been increasing, WTPs had previously been unable to send reports and updates to PNSB's HQ regularly, which had negatively affected the operations.

The total dependencies on TM lines have been eliminated and the operation is unaffected with the availability reaching 99.9%.

Virtualisation

In the past, PNSB hosted 25 physical servers with more than 20 different applications. As the servers were aging, it became necessary to migrate to new servers, and we have embarked on virtualisation in order to cut cost and boost availability. To date, 12 of the 25 old servers have been virtualized into just three new high capacity servers. Virtualisation also provides the computer network with higher redundancy so that, if failure occurs at any of the servers, the remaining servers will take over the load and process seamlessly without any downtime.

Intranet Search Engine

We are working with Google to create a sophisticated advance internal search engine to search for internal documents in the file servers. The Google Search Appliance ("GSA") was chosen based on its large capacity and the advanced features introduced by Google Inc (US). The capacity chosen for PNSB's environment is about 200,000 documents which are stored in an Electronic Document Record Management System ("EDRMS"), which enables users to search for information based on keywords. The system is also connected to PNSB's Strategic Resource Centre database and storage which is in turn linked to PNSB's intranet.



Water Saving Tips

Turn off tap while cleaning your teeth, shaving or washing your face. You can waste up to 9 litres a minute by just letting the water pour down the sink.



Director General of Department of Occupational Safety & Health, YBhg Dato' Ir Dr Johari Basri visiting the exhibition booth during PNSB's Safety and Health Week Campaign launched on 12 January 2010



PNSB hosting INTAN's delegates' visit to Wangsa Maju WTP

Operations Review Puncak Niaga (M) Sdn Bhd

cont'd

In 2010, we launched various initiatives to strengthen PNSB's core operations in providing seamless and efficient communications and IT systems.

PREVENTIVE MAINTENANCE

Predictive & Preventive Plant Maintenance

Throughout the year we undertake rigorous monitoring and maintenance of plant and equipment to ensure the smooth and continuous operation of all our 29 WTPs. Predictive and preventive maintenance follows an annual maintenance plan, and performance is closely monitored by two maintenance software systems: Maximo and Maintpro. In 2010, our WTPs conducted 25,826 preventive maintenance works as compared to 22,567 in 2009, the increase being mainly due to the incorporation of additional equipment into the WTP operating system.

Preventive IT Maintenance

Preventive maintenance is crucially important in order to ensure that all systems run smoothly. PNSB's IT Department continuously supports and maintains all the 29 WTPs via its programme of scheduled preventive maintenance. For servers and critical equipment, preventive maintenance is conducted every three months while the non-critical equipment cycle is every six months. In addition, our computers and printers are continuously updated with the latest software patches and antivirus versions.

In mid 2010, the IT Department introduced software that provides fast and efficient remote control of the WTPs' computer systems. This enables the IT Department to diagnose and rectify IT problems by remote, thereby saving both time and cost.

Using the latest technology, the IT Department is also able to achieve its Service Level Agreement (SLA) standards, thereby ensuring that all systems are running efficiently with minimizing downtime.



Korean delegates' visit to SSP2 WTP



Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

Throughout the year 2010, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") has been faced with many obstacles and adversities namely, the proposed restructuring of the water industry in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya ("Proposed Restructuring"), freeze on all capital expenditure works except for critical works and no tariff increase as scheduled nor compensation payment until the Proposed Restructuring is completed. Despite operating under these constraints and adversity, SYABAS has successfully continued to maintain the service levels achieved besides being awarded many national awards for outstanding achievements in various fields of activities.

PRESENT CHALLENGES

As our nation develops, the demand for water in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya increases each year.

Based on SYABAS' proposals, the Federal Government has approved only three schemes out of a total of ten schemes originally proposed, for implementation as an interim measure to cater for the growth in water demand, namely:

- Sg Labu (KLIA) Water Treatment Plant ("WTP")
- BRH Transfer for implementation during Rancangan Malaysia Ke-10 ("RMK-10")
- SSP1 raw water pumping station upgrading for implementation during RMK-10.

These schemes are being implemented by the Ministry of Energy, Green Technology and Water ("KeTTHA") and Pengurusan Asset Air Berhad ("PAAB") except for the BRH Transfer project where SYABAS will implement it with a loan from the Federal Government.

These works have a total capacity of 320 MLD ("320 MLD Development Works"). However, the 320 MLD Development Works may not be adequate to mitigate the anticipated water shortage for period of 2012-2014 prior to 2014 when the Inter-State Water Transfer Project from Pahang is expected to be completed.

As part of SYABAS' responsibility for the adequate supply of treated water as set out in the Concession Agreement dated 15 December 2004 signed between SYABAS, the Federal Government and the State Government of Selangor Darul Ehsan (the "Selangor State Government") (the "Concession Agreement"), SYABAS has written and advised in many occasions the Federal Government and the Selangor State Government, who is responsible for the development of the additional treated water supply, that it is vital to develop additional water resources to avoid an impending water crisis prior to the completion of the Inter-State Water Transfer Project from Pahang which is expected by 2014.

Selangor and the Federal Territories of Kuala Lumpur and Putrajaya are socially and economically important areas which cannot afford to have any water crisis as it would result in significant negative impact on the country and its image besides incurring social and economic costs.

Already, SYABAS has noted that water stress has commenced. Reserve capacity now stands at only 5.6% during average demand situations and it is not possible to meet the capacity during peak demand which has risen by 7% above average demand before. Some areas are already experiencing low water pressure while others are taking a longer time to recover after major breakdowns.



▲ SYABAS' Headquarters at
Jalan Pantai Baharu, Kuala Lumpur

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

As noted in the Chairman's Message, SYABAS' Capital Expenditure ("CAPEX") programme has been frozen since July 2008. With a severely limited CAPEX budget for 2010, which in 2010 was approved on a case-to-case basis only for critical projects, and with no external CAPEX funding for 2011, it is difficult for SYABAS to sustain the high levels of service as required pursuant to the Concession Agreement. The long delay and the uncertainty in the Proposed Restructuring by the Selangor State Government continues without any positive sign of conclusion. In addition, the freeze on SYABAS CAPEX works constantly hampers efforts to reduce water losses from burst and leaking pipes and the frequent water interruptions. Timely approval and financing for the frozen SYABAS CAPEX programme is vital to ensure continuous good service levels as expected from SYABAS.

ACHIEVEMENTS

In 2010, in the face of all these constraints and adversity, SYABAS did everything in its power and capacity to ensure that not only the service levels were maintained as required pursuant to the Concession Agreement and the Ministry of Health's ("MOH") National Standard for Drinking Water Quality (2004) ("NSDWQ"), SYABAS even successfully enhanced the service levels and provided excellent water supply services to the consumers.

SYABAS achieved or out-performed all the key performance targets SYABAS set for itself, which are higher than the Concession Agreement's requirements, for the year under review.

SYABAS recorded a Billing Growth Rate of 3.7% in 2010, a 0.2% up on its target for 2010 of 3.5%. Meanwhile, the Collection Efficiency achieved at 98.5% was exactly on target.

Despite the SYABAS CAPEX freeze, the average Non Revenue Water ("NRW") level for Selangor and the Federal Territories of Kuala Lumpur and Putrajaya was computed as 32.45%, which compares favourably with the 2010 target of 32.85%, and is only slightly higher than the 2009 record of 32.38%.

The targeted Water Purchase for 2010 was 4,063 MLD, and the actual Water Purchase amounted to also 4,063 MLD. SYABAS outperformed the Distribution Cost of RM0.24/m³ as provided under the Concession Agreement by achieving a Distribution Cost of RM0.21/m³.

WATER DISTRIBUTION SERVICES

In 2010, SYABAS distributed a daily average of 4,063 MLD of treated water to about 7.5 million consumers, including factories, industrial and commercial buildings in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. This accounted for 139 MLD (3.5%) of treated water more than in 2009. Of its 1.732 million consumer connections or accounts ("connections/accounts"), 84.68% of the connections/accounts are for domestic use.

SYABAS maintains some 25,427 km of water pipes, 1,387 service reservoirs and elevated water tanks, suction tanks and 498 booster pumping stations. Water supply coverage is 100% in urban areas and 99% in rural areas.



SYABAS' employees carrying out routine maintenance work

SYABAS hosted the visit by the Ministry of Industry, Mine & Energy, Cambodia at SYABAS' Headquarters and PUSPEL



Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

NON REVENUE WATER ("NRW")

Progress to Date

Since the commencement of the Concession Agreement, SYABAS has successfully achieved a progressive reduction in NRW from 42.78% as at 1 January 2005 to 32.45% as at 31 December 2010, which can be summarized as follows:

Date	NRW		Water Loss (l/c/d)		Infrastructure Leakage Index (ILI)
	MLD	%	Physical	Commercial	
01.01.2005 (A)	1,611	42.78	849	325	22.20
31.12.2010 (B)	1,319	32.45	591	190	18.96
Reduction (A - B)	292	10.33	258	135	3.24

The achievement can be evidenced in the water production being maintained while the billed consumption increased.

Although the nett NRW saving achieved since the signing of the Concession Agreement is 10.33%, physical and commercial losses have been reduced by 30% and 42% respectively as shown above.

The freeze on SYABAS CAPEX works since 2008, resulting in the postponement of various planned works as formulated under SYABAS' NRW Master Plan which aims to progressively reduce water losses, has restricted efforts to reduce water losses – a situation which is aggravated by the Natural Rate of Rise ("NRR") in water losses. Nevertheless, as recorded above, the NRW level achieved in 2010 for Selangor and the Federal Territories of Kuala Lumpur and Putrajaya of 32.45% was favourable as compared to the target for 2010 despite the many constraints faced by SYABAS. The achievement was also attributable to internal NRW programmes such as reservoir overflow monitoring, Active Leakage Detection and Control, enforcement measures against illegal tapping, and continued speedy repair of pipe bursts and pipe leaks.

For the NRW Reduction Programme in 2010, SYABAS, with the approval granted by the National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara) ("SPAN") and as approved under the Redeemable Preference Shares ("RPS") 2010 funding, implemented the replacement of 300 mechanical bulk meters (2" and above) and, 120,000 aged meters of eight years old and above and will continue with the ongoing NRW Phase 3 contract to trim down physical losses to achieve the set contractual target saving of 300 MLD by June 2012.

In 2010, in the face of all these constraints and adversity, SYABAS did everything in its power and capacity to ensure that not only the service levels were maintained as required pursuant to the Concession Agreement and the Ministry of Health's ("MOH") National Standard for Drinking Water Quality (2004) ("NSDWQ"), SYABAS even successfully enhanced the service levels and provided excellent water supply services to the consumers.



SYABAS laying water pipelines for residents at Ladang Escot, Hulu Bernam

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

The NRW Phase 2 & Phase 3 Contracts to reduce physical losses by means of establishing District Metering Zones ("DMZ"), Pressure Management and Active Leakage Detection and Control are still ongoing. The contribution from these NRW Reduction Programmes in 2010 was merely sufficient to offset the increase in leakage due to NRR, which is currently estimated at 73 MLD (1.8%) per year.

Based on the Clause for an NRW Allowance under the Concession Agreement, SYABAS has submitted a claim for an NRW Allowance of 6.61% due to factors beyond its control during 2006 to 2008, which, however, has been rejected by the Selangor State Government. Subsequently, on 29 January 2010, SYABAS wrote to request the Selangor State Government to reconsider the NRW Allowance as claimed, highlighting the relevant obligations set out in the Concession Agreement.

Meanwhile, the real quantum of NRW Allowance is increasing due to the prolonged and additional deferred SYABAS CAPEX programme. SYABAS will be reassessing the claim for NRW Allowance from January 2009 until the end of December 2010 for the purpose of submission in conjunction with the next tariff adjustment.

Moving on, for 2011, SYABAS has set new key performance targets for NRW reduction based on realistic targets and existing circumstances.

On 30 November 2010 and 12 January 2011, SYABAS conducted a joint inspection with SPAN of Electromagnetic Meter ("EM") locations and Pressure Management Zone ("PMZ") installations at selected locations. Arising from the joint inspection, under a programme approved by SPAN under RPS 2009 totalling RM18.5 million, the installation of 120 EMs and 112 PMZ were completed on 1 September 2010 and 1 July 2010, respectively.

Based on the analysis done until the end of December 2010, these programmes generated good results in terms of reducing commercial and physical losses. Under the 120 EMs meter replacement programme, the recorded average gain per meter per account was 58 m³/day, above the expected gain of 50 m³/day, which equated to 6.9 MLD gain. For the 112 PMZ establishment, the programme managed to reduce the burst pipe frequency by an average of 80% compared to the target reduction of 70%. In addition, it was recorded that the pressure management on 112 PMZ zones had yielded 14.7 MLD in physical loss savings directly from the pressure control exercise.



▲
Launching of follow@puspel
on Twitter and Facebook

▶
PUSPEL operates 24/7
throughout the year to attend to
customers' queries and complaints



CAPEX Works

The total amount of CAPEX expenditure from 1 January 2005 to 31 December 2010 stands at RM2,259.58 million, while the CAPEX expenditure from 1 January 2010 to 31 December 2010 amounted to RM174.81 million.

Critical CAPEX works approved under RPS 2010 funding involved a total of 86 projects with a total estimated project cost of RM131.6 million.

Looking forward, although the SYABAS CAPEX budget remains frozen, on 20 October 2010, SPAN and KETTHA approved RM285.0 million for critical CAPEX works. Of this amount, RM170.0 million for pipe replacement works with a scheduled disbursement of RM16.5 million in 2011, RM78.5 million for 2012 and the balance of RM75.0 million in year 2013. The balance of RM115.0 million out of the approved RM285.0 million for critical CAPEX works will enable the implementation of two other interim water resources development works, namely the BRH Booster Pumping Station and the SSP1 Raw Water Pumping Station Upgrading Works. However, the funds and the approved schemes will not be sufficient to overcome the impending water crisis as anticipated for the period of 2012 - 2014.

Rehabilitation of Leaking Water Tanks

Within the water distribution system, there are some 1,387 service reservoirs and water tanks, many of which inherited by SYABAS from Perbadanan Urus Air Selangor Berhad ("PUAS"). Many of these water tanks now need rehabilitation or replacement to ensure structural integrity and to reduce NRW losses and enhance the reliability of the water supply by providing additional storage in the water distribution system. However, given the acute funding constraints, only some of the identified water tanks were approved for rehabilitation in 2010.

Water tanks replaced or rehabilitated during 2010 are as follows:

1. District: Hulu Langat
 - University of Nottingham water tank
 - Taman Saujana Impian C water tank
 - Desa Kenaga water tank
 - Taman Cheras Mas water tank
 - PKNS Beranang water tank
 - Bandar Rinching water tank
 - Taman Sg Harmonis water tank
 - Sunway Semenyih water tank
2. District: Petaling
 - Taman Tenaga water tank
 - Hospital Kusta Sg Buloh water tank
3. District: Klang
 - Sg Sireh water tank
 - Bandar Sultan Sulaiman water tank
 - Subang Mas water tank
 - Taman Eng Ann water tank



▲ Dialogue session with YBhg Tan Sri Lee Lam Thye and Taman Maluri, Cheras Residents

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

On 2 November 2010, SYABAS launched its OCC, a major step towards further improving the operation and management of the water distribution network in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

4. District: Kuala Lumpur
 - Taman Cheras water tank
 - Taman Cantik water tank
 - Kg Cheras Baru water tank
5. District: Kuala Langat
 - Taman Kemuning water tank
6. District: Gombak
 - Taman Bendahara water tank
 - Bandar Baru Selayang 2 water tank

Some of the rehabilitation and replacements have been completed while others are still at tendering stage.

Operation Command Centre ("OCC") and the Geographical Information System ("GIS")

On 2 November 2010, SYABAS launched its OCC, a major step towards further improving the operation and management of the water distribution network in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The OCC is the primary component of the RM27.5 million Supervisory Control And Data Acquisition ("SCADA") Stage 1 Project approved and funded by KeTTHA covering, as of to date, 114 key pump houses and 182 critical reservoirs in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

The OCC is the nation's most advanced and comprehensive clean water distribution operation centre, and the first and largest wireless SCADA implementation for water and wastewater utilities in the region.

The OCC has three key elements governing its success in enhancing operational efficiency and facilitating operational decision making. These are:

1. The SCADA wireless system, which acquires in real-time measured field data that normally varies with time, and remotely controls distant machinery in real-time.
2. The Geographical Information System ("GIS"), which stores and manages the network infrastructure database according to geographical location.
3. The hydraulic operation models, which is a tool deployed to simulate distribution network flow conditions between measuring points in real-time, and hence provides a comprehensive overview of the network's flow, pressure and reservoir water levels.

SYABAS' Official Launching
of the Operation Command Centre



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With the OCC, SYABAS can monitor and take fast remedial actions in the event of any mishaps.

The status of implementation of the GIS related works as at 31 December 2010 was as follows:

Phase 1A - Development of GIS (Infrastructure and Application)

From the total 25,426 km length of pipelines digitized into GIS, GIS has completed the updating of the pipeline and reservoir information for the entire DMZ and Water Balance Areas ("WBA") in Gombak, Sepang, Kuala Langat, Hulu Selangor, and Kuala Selangor, whereas the Petaling area has been updated up to 6%.

Phase 1B - Development of GIS (Consumer Database Clean-Up and Geo-Coding)

869 major consumers ("C") in Hulu Langat (178 C), Kuala Lumpur (34 C), Gombak (337 C), Sepang (148 C), Kuala Langat (68 C), Hulu Selangor (56 C) and Kuala Selangor (48 C) have been geo-coded.

Phase 2 - Development of SCADA and Integration of SCADA with GIS and Network Modelling

Stage 1 (Key Reservoirs And Pump Houses)

OCC receives measured data such as power supply problems, faulty measuring instruments, faulty Remote Telemetry Units ("RTUs"), vandalizing etc from 207 RTUs. Upon receiving such data, SYABAS will act accordingly to solve relevant issues, where required.

Stage 2 (SCADA On Trunk Mains For Flow And Pressure Data And On Selected Reservoirs For Water Quality Data)

All 120 Water Balance Meters ("WBM") were installed, tested and commissioned and the system was fully handed over by the contractor to SYABAS after the final inspection on 30 November 2010. These WBMs are giving real time information to the OCC.



▲ YB Dato' Sri Peter Chin Fah Kui visiting SYABAS' booth at the 6th Asia Water Expo & Conference



◀ Briefing on SYABAS' Operation Command Centre to visitors

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

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Phase 3 – Integration of Hydraulic and Water Quality Model to SCADA and GIS

Stage 1 – Uncalibrated Model – DMZ and WBA

The uncalibrated off-line DMZ and WBA models for Gombak, Sepang, Kuala Langat and Hulu Selangor were completed.

Stage 2 – Calibrated Model

The off-line DMZ and WBA models for Gombak, Sepang, Kuala Langat and Hulu Selangor were calibrated.

The Gombak, Sepang, Kuala Langat, Sg Langat and Sg Selangor trunk mains/district real-time operation models, which extract real time measured readings from SCADA to perform historical and forecast simulations, have been installed at OCC.

Development Of Other GIS Related Works

A Water Quality tool in webGIS called the Air Scouring Programme (“AS Programme”) tool has been developed and utilized for planning and marking the pipeline scouring programme on a web-based map with different colour-coding for completed zones and work-in-progress. As of 31 December 2010, a total of 10,653 AS Programme zones have been identified in GIS.

WATER QUALITY ENHANCEMENT

During 2010, SYABAS continued to comply fully with MOH’s NSDWQ and Quality Assurance Programme (“QAP”) and the Mandatory Level of Service (“MLS”) as stipulated in the Concession Agreement.

Ever conscious that the water quality supplied directly from the tap to the consumers must be safe for consumption, SYABAS takes proactive steps to ensure all requirements imposed by the MOH and as stipulated in the Concession Agreement are strictly adhered to. SYABAS also continued to implement various programmes under the Water Quality Improvement Master Plan initiated since 2008, as set out below.

Air Scouring Programme (“AS Programme”)

The AS Programme is designed to systematically flush all the reticulation pipes using compressed air. In 2010, the cleaning was initially based on a six-month cycle (“Cleaning Cycle”). The Cleaning Cycle was extended to a twelve-month cycle due to an improvement in the distributed water quality.



▲
SYABAS' Operation Command
Centre personnel briefing visitors
from Perbadanan Bekalan Air
Pulau Pinang Sdn Bhd

As at 31 December 2010, some 9,514 km out of a total of 12,563 km of reticulation pipes of diameters of up to 200 mm had been fitted to be cleaned by air scouring. The results of air scouring in 2010 are as shown in the table below:-

AS Programme Achievement as at 31 December 2010

Districts	Number of zones cleaned to date by air scouring	Number of zones that cannot be cleaned by air scouring
Petaling	1,234	1,037
Klang/Shah Alam	1,555	54
Kuala Lumpur	804	298
Gombak	946	56
Hulu Langat	827	0
Selangor	366	146
Hulu Selangor	903	39
Kuala Langat	412	350
Kuala Selangor	438	314
Sabak Bernam	513	361
Total	7,998	2,655

cont'd

The remaining 3,049 km of pipes under 2,655 zones cannot be cleaned using this method, mainly due to the freeze on SYABAS CAPEX which is preventing SYABAS from completing the installation of the necessary valves and fittings for carrying out air scouring.

The AS Programme has greatly contributed to the reduction in water quality violations and consumers' complaints about water quality.

Reservoir Cleaning & Inspection Programme ("RCI Programme")

Under the RCI Programme, all the service reservoirs are cleaned manually and thereafter inspected every six months to test water quality using "depth samplers". Subsequent cleaning of reservoirs will be carried out if water quality violations are detected.

Since the Reservoir Cleaning Programme ("RC Programme") began in 2005, 833 reservoirs have been cleaned manually for the first time.

In 2010, SYABAS has achieved an average compliance rate of 99.1% response time to attend to water quality complaints within half an hour.



◀ SYABAS' visit to Kampung Pasir Puteh Kalumpang with YB Dato' Sri Peter Chin Fah Kui

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

In 2010, some 483 reservoirs were identified for cleaning due to violations recorded either in the second half of 2009 or the first half of 2010. However, after further checking and re-sampling, only 284 reservoirs were identified to be cleaned either manually or by open scour flushing. At the end of 2010, 247 (87%) reservoirs were cleaned. The balance 13% of reservoirs were not cleaned pending installation of necessary valves and fittings, which is subject to approval of the SYABAS CAPEX Programme.

Achievement of the status of reservoir inspection in 2010 is shown below:-

	No of reservoirs targeted	No of reservoirs inspected	% of targeted reservoirs inspected	Total number of violations	% of reservoirs with violations
1 st Cycle	1,034	1,034	100%	314	30.3
2 nd Cycle	1,005	1,005	100%	284	28.2

Water Quality Surveillance Programme ("WQS Programme")

SYABAS maintains 1,099 water quality sampling stations located at WTPs outlets, balancing reservoir outlets, service reservoirs and distribution mains throughout its distribution system for the WQS Programme. At 636 of these stations, water quality sampling is carried out by MOH and the samples are analysed by the Department of Chemistry in accordance with MOH's Drinking Water Quality Standards.

In 2010, some 28,556 samples were taken by MOH and test results demonstrated that the water quality in the distribution system complied with both Concession Agreement's MLS and MOH's QAP except for the aluminium and fluoride parameters which originated from the WTPs. The compliance rate was recorded at 99.6% (discounting the aluminium and fluoride violations) with zero violation in microbiological parameters.

For the 463 sampling stations not monitored by MOH, water quality sampling is carried out under an In-House Monitoring Programme, with chemical and microbiological analyses being carried out by an accredited laboratory on 11,422 samples. SYABAS monitored the physical parameters, and tests results indicated that the water quality was in compliance with Concession Agreement's MLS and MOH's QAP except for the aluminium and fluoride parameters which originated from the WTPs.



Strict conduct of analysis on treated water and raw water at the laboratory

Water quality samplings



Immediate Response To Consumer Complaints

In 2010, SYABAS has achieved an average compliance rate of 99.1% response time to attend to water quality complaints within half an hour (with the reasons for not achieving the target 100% being that some calls were received at night).

Consumer Awareness & Education Programme ("CAE Programme")

The CAE Programme with media coverage is ongoing with emphasis on consumers' understanding of the quality of water supplied to the premises and related issues and their responsibility for maintaining their own internal plumbing system and internal storage tanks. Consumers have greatly benefited from SYABAS' efforts in the CAE Programme.

For further details of the CAE Programme, please turn to Preserving Our Environment section on page 149 of this Annual Report.

BILLING & COLLECTION

One of the primary targets of our Billing and Recovery Department is to enhance our billing and collection systems and processes so as to boost our revenue and cashflow.

As at 31 December 2010, the total number of active water supply accounts was 1,732,193, up 4.1% on the 1,664,073 accounts recorded in 2009.

During the year, we achieved all of our billing and collection targets. Total billings rose 4.5% to hit RM1.487 billion, as against the RM1.438 billion recorded in 2009. The table below shows our billings record over the last six years, demonstrating a cumulative growth of 37.5%:-

Year	2005	2006	2007	2008	2009	2010
Billing (RM Million)	1,070.30	1,265.90	1,333.10	1,395.20	1,437.70	1,487.20
Growth (%)	9%	18%	5%	5%	3%	3.5%
Cumulative Growth (%)	9%	18%	25%	30%	34%	37.5%

Total bill payments collected for the year stood at RM1.480 billion, representing a 3.9% increase on the RM1.425 billion of payments collected in 2009. Total collections included payments received from Kumpulan Darul Ehsan Berhad ("KDEB")/the Selangor State Government from January to October 2010 for the first 20m³ of water supplied free of charge to domestic users in Selangor. Overall, SYABAS achieved a Collection Efficiency of 98.5% in 2010.

Total receivables as at 31 December 2010 amounted to RM167.5 million, 5.8% higher than the RM158.3 million posted in 2009. Despite the increase in billings, the debtors' day level (accounts receivable) without the debt due from the Selangor State Government on the unpaid compensation averaged a manageable 41 days, as compared to 40 days in 2009 due to the aggressive monitoring and control put in place on the recovery of debt by SYABAS.

Disconnections decreased by 6.9%, from 150,357 disconnections in 2009 to 139,977 disconnections in 2010, while the reconnection to disconnection ratio increased from 84.5% in 2009 to 85.7% in 2010, attributed to the improved communication procedures put in place for the benefit of the consumers.



Water Saving Tips

A short shower rather than a bath saves up to 400 litres of water a week.

Operations Review Syarikat Bekalan Air Selangor Sdn Bhd

cont'd

SYABAS bagged The Malaysian ICT Adoption Award 2010 given by the Malaysian Trade & Industry organization on 26 January 2011, which also contributed to SYABAS winning the Malaysian President Award 2010 on 26 January 2011.

Migration of Bulk Meter Accounts to Individual Meter Accounts ("Migration")

The Migration process has been slow and the success rate can best be achieved by making the process mandatory, and KeTTHA and SPAN now intend to make the Migration mandatory.

As at 31st December 2010, SYABAS had completed the Migration of only 421 bulk meter accounts involving 77,032 individual accounts. Despite SYABAS' initiatives to encourage the Migration, management companies remain reluctant and there are also various issues including frequent difficulties in gathering the necessary documents from the residents.

INFORMATION AND COMMUNICATION TECHNOLOGY ("ICT")

The SYABAS Integrated Water Management Information System ("SWIMS") merges nearly all SYABAS' operational, management, financial, billing and customer service systems.

In 2010, various IT application systems were enhanced and a virtual server was launched to improve the efficiency and effectiveness of our daily operations:

- The iFILE system was enhanced to store all documents in electronic format as part of SYABAS' paperless and green initiative programme.
- The iUTILITIES system, which monitors and manages electricity, telecommunication and other utilities payments centrally, was improved and pilot-tested in the Kuala Langat and Kuala Lumpur districts.
- The iERP system was enhanced to manage operations, reports and crisis responses at the Control Centre.
- Server and storage consolidation and virtualization system was implemented so that SYABAS' critical application servers and storage now mirror each other and work as multiple clusters of virtual servers. This robust and high-availability architecture is vital to ensuring the uninterrupted running of SWIMS.

Meanwhile, migration from the SUN Accounting System to the SAP Accounting System is making good progress and has now reached the deployment and integration stage. Once migration is complete, it will be possible to integrate the accounting system with our billing system.

The ICT Department's efforts in enhancing the daily operations of SYABAS paid off when the Company bagged The Malaysian ICT Adoption Award 2010 given by the Malaysian Trade & Industry organization on 26 January 2011, which also contributed to SYABAS winning the Malaysian President Award 2010 on 26 January 2011. For the awards, please see the Awards section on pages 22 and 23 of this Annual Report.

SYABAS' Majlis Pelanggan Prihatin ►



PUNCAK NIAGA (M) SDN BHD ("PNSB")**WATER QUALITY SURVEILLANCE PROGRAMME ("WQS PROGRAMME")**

To ensure that PNSB consistently delivers a high quality water supply to its customers, PNSB has implemented via its Central Laboratory ("CL") a WQS Programme. Both raw water and treated water at the Water Treatment Plants ("WTPs") is monitored through the WQS Programme to ensure that the water quality meets and exceeds the standards stipulated by the Ministry of Health ("MOH") and is in accordance with MOH's Quality Assurance Programme ("MOH's QAP").

The testing and monitoring of raw water and treated water is carried out at PNSB's CL and is further verified by an Independent Accredited Laboratory, where PNSB ensures that the water quality consistently complies with MOH's National Standard for Drinking Water Quality (2004) ("NSDWQ"). To further ensure our water is safe and clean, we conduct bacteriological tests every day at all our WTPs without fail, and this practice is more stringent than the weekly tests that are normally required.

Water Safety Plan

The World Health Organization ("WHO"), in the third edition of its Guidelines for Drinking Water Quality, has promoted the development and implementation of risk management strategies to ensure the safety of drinking water supplies through the control of hazardous constituents in water from source to consumers' taps. WHO's approach is termed the Water Safety Plan ("WSP"), and involves a comprehensive risk assessment and risk management approach with built-in Hazard Analysis and Critical Control Point ("HACCP") principles that encompass all steps in water supply, from catchment to consumer, to ensure the safety of our drinking water supplies.

The International Water Association's Bonn Charter for Safe Drinking Water fully endorses the WSP concept and many countries, continents and regions, namely Australia, Europe, Latin America, the Caribbean and Singapore, have adopted the WSP into their water quality management to ensure a high standard of drinking water supplies.

In line with PNSB's mission to consistently provide high quality water to consumers, PNSB has initiated plans to adopt the WSP concept as a tool to manage drinking water quality, and launched the implementation of WSP in 2010.

To date, PNSB has established a WSP Steering Committee to develop WSP for our WTPs. The Steering Committee comprises ten professionals from various fields, and the members have attended training on HACCP, both of which are core principals used in the WSP.

Central Laboratory ("CL")

As part of PNSB's ongoing laboratory services enhancement, the CL, which is an ISO/IEC17025 certified laboratory, is currently working towards extending more parameters in water quality analyses to be covered under the ISO.

The CL is currently certified to carry out tests for a total of 24 parameters consisting of microbiological, Group One (physical) and Group Two (inorganic) water quality parameters, as listed in the MOH's NSDWQ.



▲ Competent laboratory personnel conducting chemical analysis at the laboratory

Delivering Quality

cont'd

In furtherance of PNSB's laboratory services enhancement, PNSB acquired two new instruments for the CL, namely:

1. An Inductively Coupled Plasma-Mass Spectrometer ("ICP-MS"), and
2. A Gas Chromatography-Mass Spectrometer ("GC-MS").

With the additional instruments, PNSB's CL has increased its ability to test for the presence of heavy metals, pesticides and herbicides in the water, which are parameters under the MOH's NSDWQ. The CL is in the process of obtaining accreditation to test for 20 heavy metal parameters.

Notwithstanding budget constraints, PNSB is committed to expanding and improving its facilities and operations to improve further the quality of treated water.

PNSB achieved 99.8% and 99.8% sampling rates for raw water and treated water respectively for all the WTPs in 2010, an improvement of approximately 2% as compared with 2009, when 97.8% and 97.3% sampling rates were achieved respectively for raw water and treated water for all the WTPs. A sampling rate of 100% could not be achieved as some WTPs had to be shut down due to raw water pollution, namely the Salak Tinggi and Sg Buaya WTPs in February and April 2010 respectively.

The breakdown of water quality analyses conducted in 2010 is as follows:

	Breakdown of Water Quality Analyses Conducted by PNSB	
	By Central Laboratory	By Appointed Independent Laboratory
Raw water	10,169	8,046
Treated water	13,289	8,294
Total		39,798

Based on water quality monitoring by CL for 2010, treated water compliance by PNSB for 2010 was 99.9%, while raw water compliance was 92.5%. The 0.1% (17 cases) of non-compliance for treated water was mainly due to aluminium residue detected at the Sg Serai and Sg Sireh WTPs.

Details on the non-compliance for treated water at the Sg Serai and Sg Sireh WTPs are set out under the "Water Quality And Research Section" below.

Water Quality And Research Section ("WQRS")

The Research and Development ("R&D") Centre, in collaboration with WQRS, conducted various process-improvement initiatives in 2010 to ensure the high quality treated water supply beside reducing chemical consumption and waste generation.

Gadgets used for
water quality monitoring



Process Improvements

Sg Sireh WTP

Process improvements were undertaken at the Sg Sireh WTP where the raw water treatment process requires high doses of alum to remove impurities which will subsequently result in high aluminium residual in the treated water. Various chemicals were tested in the WTP laboratory to determine which chemical was the best chemical to use in the water treatment process, but the conclusion was that alum is still the preferred coagulant. A collaboration study by the R&D team in PNSB using the Particle Dispersion Analyser ("PDA"), revealed that the equipment has the potential to help improve the treatment process at the Sg Sireh WTP by determining the optimum coagulant dosage, and we are exploring this potential.

Due to the freeze on the Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") Capital Expenditure ("CAPEX") programme since July 2008, work to improve and upgrade the treatment process at the Sg Sireh WTP is not yet underway.

Other process improvement studies to improve treated water quality at the Sg Sireh WTP include a study using UV 254 analyser and aluminium online analyzer for better process control and monitoring, using alternative coagulants, applying DMI-65 with absorption properties as filter media, as well as utilizing solar photocatalytic treatment for organic removal.

WTPs located downstream of Sg Langat, namely Sg Langat, Cheras Mile 11, Bukit Tampo and Salak Tinggi WTPs

Ammonia removal studies were also conducted using aluminosilicate with the objective to reduce plant shutdown due to ammonia pollution. However, using additional chemical is more of a reaction approach and not cost effective, the preventive approach is preferred and is more sustainable although this would mean that we have to conduct more inspection and liaise closely with the authorities.

Sg Serai WTP

Process improvement at Sg Serai WTP is also underway, whereby installation of a pressure filter to trap fine flocs carried over from the clarifier, proposed as a temporary measure pending the authorities' approval for the proposed total process upgrading of Sg Serai WTP, will be commencing in early 2011.

Water Quality Monitoring

In 2010, PNSB, in its efforts to ensure the supply of high quality treated water to consumers, focused on programmes for raw water quality index monitoring, balancing reservoir water quality monitoring, raw water ammonia level monitoring and filter performance monitoring.

Water Quality Index Programme ("WQI Programme")

The WQI Programme is conducted on a monthly basis at all WTPs in order to determine the cleanliness and suitability of the raw water for drinking water supply, aquaculture and irrigation purposes. Details of the WQI Programme and its findings in 2010 are set out in the "Preserving Our Environment" section on pages 144 to 145 of this Annual Report.

In line with PNSB's mission to consistently provide high quality water to consumers, PNSB has initiated plans to adopt the Water Safety Plan ("WSP") concept as a tool to manage drinking water quality, and launched the implementation of WSP in 2010.



▲ Our BPS Programme educates the young generation on the importance of water and water quality

Delivering Quality

cont'd

Balancing Reservoir Water Quality Monitoring

To ensure that the treated water supply is of high quality at all times, water quality monitoring in all the balancing reservoirs is conducted on a quarterly basis to determine whether the reservoir requires cleaning. Details of the Balancing Reservoir Water Quality Monitoring are set out in the "Preserving Our Environment" section on pages 145 to 146 of this Annual Report.

Ammonia Level Monitoring

Four WTPs located along the Sg Langat river, namely the Sg Langat, Cheras Mile 11, Bukit Tampo and Salak Tinggi WTPs, are prone to high raw water ammonia content, which frequently forces the WTPs to shut down. Accordingly, hourly monitoring of the raw water ammonia level at the WTPs is required to ensure that early and timely intervention can be undertaken in the event of high ammonia content is detected. Excessive raw water ammonia content caused the Salak Tinggi WTP to shut down twice in 2010. Details of the Ammonia Level Monitoring are set out in the "Preserving Our Environment" section on page 146 of this Annual Report.

Filter Performance Monitoring

The filtration process is the final stage of the water treatment process to remove fine suspended solids that escaped at the clarification stage. The filtration process runs for specific hours or until it reaches its specified headloss level, whichever is earlier, when backwashing will be initiated.

Details of the Filter Performance Monitoring are set out in the "Preserving Our Environment" section on page 147 of this Annual Report.

Value Added Project

Other projects carried out by the Operation & Maintenance Division in collaboration with the R&D Centre in 2010 include:

- Evaluating the effectiveness of new products in the market to help improve the water treatment process and water quality through the following means:
 - Carrying out a pilot plant trial at the Sg Langat WTP to test the Lifting Type Pore Controllable Fibre Filter ("LPCF") filter system. The LPCF filter system needs further polishing to obtain the desirable Drinking Water Quality Standard.
 - Testing Bulab, an organic coagulant derived from the bark of the Acacia tree designed to replace metal-based coagulants, as an environmentally-friendly coagulant at the Sg Sireh, Sg Langat and Bukit Nanas WTPs.
- Being involved in the Asian Development Bank ("ADB") Twinning Programme with Karachi Water & Sewerage Board, Pakistan to develop a comprehensive SOP for Pipri WTP, Karachi.
- Being involved in a project to develop a Rainwater Harvesting System at Wisma Rozali.



Water quality monitoring
by our employees

SYARIKAT BEKALAN AIR SELANGOR SDN BHD ("SYABAS")

SYABAS is responsible for distributing treated water to consumers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, and is totally committed not only to ensuring that the water supply at consumers' premises complies with MOH's NSDWQ at all times and is safe for direct consumption but also to conserving our nation's water resources.

During the year, we continued to comply fully with the MOH's NSDWQ and the Mandatory Level of Service ("MLS") on water quality as stipulated in the Concession Agreement dated 15 December 2004 signed between SYABAS, the Federal Government and the State Government of Selangor Darul Ehsan (the "Concession Agreement"), as well as meeting all the requirements of the MOH's QAP. As of December 2010, 99.24% of the water quality analyses carried out by SYABAS and MOH complied with MOH's NSDWQ with zero violation in the microbiological parameters and continued to show great water quality improvement. Any non-compliance with the standards is taken seriously and SYABAS will investigate and do everything possible to rectify the violations immediately. SYABAS also continued to implement the various programmes under the Water Quality Improvement Master Plan initiated since 2007, as set out below.

Air Scouring Programme ("AS Programme")

The AS Programme is designed to systematically flush all the reticulation pipes using compressed air. In 2010, the cleaning was initially based on a six-month cycle ("Cleaning Cycle"). The Cleaning Cycle was subsequently extended to a twelve-month cycle due to an improvement in the distributed water quality.

As at 31 December 2010, some 9,514 km out of a total of 12,563 km of reticulation pipes of diameters of up to 200 mm had been fitted to be cleaned by air scouring. The results of air scouring in 2010 are as shown in the table below.

AS Programme Achievement as at 31 December 2010

Districts	Number of zones cleaned to date by air scouring	Number of zones that cannot be cleaned by air scouring
Petaling	1,234	1,037
Klang/Shah Alam	1,555	54
Kuala Lumpur	804	298
Gombak	946	56
Hulu Langat	827	0
Sepang	366	146
Hulu Selangor	903	39
Kuala Langat	412	350
Kuala Selangor	438	314
Sabak Bernam	513	361
Total	7,998	2,655



▲ SYABAS District Office's celebration in conjunction with World Water Day 2010



◀ Scheduled maintenance is strictly adhered to at all our WTPs

Delivering Quality

cont'd

The remaining 3,049 km of pipes under 2,655 zones cannot be cleaned using this method, mainly due to the freeze on SYABAS CAPEX which is preventing SYABAS from completing the installation of the necessary valves and fittings for carrying out air scouring.

The AS Programme has greatly contributed to the reduction in water quality violations and consumers' complaints about water quality.

Reservoir Cleaning & Inspection Programme ("RCI Programme")

Under the RCI Programme, all the service reservoirs are cleaned manually and thereafter inspected every six months to test water quality using "depth samplers". Subsequent cleaning of reservoirs will be carried out if water quality violations are detected.

Since the Reservoir Cleaning Programme ("RC Programme") began in 2005, 833 reservoirs have been cleaned manually for the first time.

In 2010, some 483 reservoirs were identified for cleaning due to violations recorded either in the second half of 2009 or the first half of 2010. However, after further checking and re-sampling, only 284 reservoirs were identified to be cleaned either manually or by open scour flushing. At the end of 2010, 247 (87%) reservoirs were cleaned. The balance 13% of reservoirs were not cleaned pending installation of necessary valves and fittings, which is subject to approval of the SYABAS CAPEX programme.

Achievement of the status of reservoir inspection in 2010 is shown below.

	No of reservoirs targeted	No of reservoirs inspected	% of targeted reservoirs inspected	Total number of violations	% of reservoirs with violations
1 st Cycle	1,034	1,034	100%	314	30.3
2 nd Cycle	1,005	1,005	100%	284	28.2

Water Quality Surveillance Programme ("WQS Programme")

SYABAS maintains 1,099 water quality sampling stations located at WTPs outlets, balancing reservoir outlets, service reservoirs and distribution mains throughout its distribution system for the WQS Programme. At 636 of these stations, water quality sampling is carried out by MOH and the samples are analysed by the Department of Chemistry in accordance with MOH's Drinking Water Quality Standards.



▲ Routine maintenance inspection at SSP2 WTP

▶ Briefing on water improvement process to Korean delegates at SSP2 WTP



In 2010, some 28,556 samples were taken by MOH and test results demonstrated that the water quality in the distribution system complied with both Concession Agreement's MLS and MOH's QAP except for the aluminium and fluoride parameters which originated from the WTPs. The compliance rate was recorded at 99.6% (discounting the aluminium and fluoride violations) with zero violation in microbiological parameters.

For the 463 sampling stations not monitored by MOH, water quality sampling is carried out under an In-House Monitoring Programme, with chemical and microbiological analyses being carried out by an accredited laboratory on 11,422 samples. SYABAS monitored the physical parameters, and tests results indicated that the water quality was in compliance with Concession Agreement's MLS and MOH's QAP except for the aluminium and fluoride parameters which originated from the WTPs.

Immediate Response to Consumer Complaints

In 2010, SYABAS has achieved an average compliance rate of 99.1% response time to attend to water quality complaints within half an hour (with the reasons for not achieving the target 100% being that some calls were received at night).

Consumer Awareness & Education Programme ("CAE Programme")

The CAE Programme with media coverage is ongoing with emphasis on consumers' understanding of the quality of water supplied to the premises and related issues, and their responsibility for maintaining their own internal plumbing system and internal storage tanks. Consumers have greatly benefitted from SYABAS' efforts in the CAE Programme.

For further details of the CAE Programme please turn to "Preserving Our Environment" section on page 149 of this Annual Report.

RESEARCH & DEVELOPMENT ("R&D") CENTER

PNHB Group continuously strives to improve the quality and reliability of Malaysia's water supply and seeks to collaborate with local and international R&D institutions and universities on projects relating to water, wastewater and the environment. Our objective is to advance technological development and competencies within the fields of water, environment and health.

On 27 October 2010, Puncak Research Centre Sdn Bhd ("PRC"), PNH's wholly owned subsidiary, entered into a Memorandum of Understanding ("MoU") with K-Water Institute ("KWI") (collectively "the Parties"), the Republic of Korea's leading specialized water research institute to boost research and technical collaboration between the Parties. Among PRC's collaborative research plans being identified with KWI are:

- Evaluating the treatment process for iron and manganese, considering long term water quality changes in river bank filtration.
- Optimizing advanced membrane water treatment systems.
- Advancing technology for groundwater utilization, groundwater use of riverine areas, assessing field applications by constructing test beds, riverbank filtration and artificial storage and recharge.



▲ Signing Ceremony of the Memorandum of Understanding between Puncak Research Centre Sdn Bhd and K-Water Institute

Delivering Quality

cont'd

In 2001, PNSB initiated a Crisis Management Plan ("CMP") and the WTP Emergency Response Plan ("ERP"), which were updated in 2010. Both plans ensure the most effective response to any form of emergency, crisis or disaster on our premises and installations with minimal disruption to the Group's business operations as well as to protect the Group's corporate image.



▲
Pilot Plant For Natural Polymer Dosing System - Collaborative research project between Universiti Putra Malaysia and Puncak Research Centre Sdn Bhd

PRC has also entered into collaboration agreements with DHI Denmark ("DHI"), a global leader in the field of water treatment on 15 March 2007, and with Universiti Putra Malaysia ("UPM") on 6 June 2008.

DHI-PRC Collaboration

The DHI-PRC collaboration has achieved the following:

- The raw water characterization data evaluation involving alkalinity, UV absorbance ("UV 254"), total organic carbon, conductivity and true colour for Sg Sireh, North Hummock, Bukit Nanas and Cheras Mile 11 WTPs. These parameters are to be used in a new approach for raw water characterization, using concepts from colloidal chemistry and associated optimization of coagulant selection and dosage.
- PRC acquired a PDA to assist in the optimization of research in the mechanisms involved in the coagulating and flocculation process. This helps our researchers understand issues related to coagulation at WTPs and early detection of the flocculation formation, and provides faster and accurate online results.
- PRC was able to extend its function to expose PNSB's engineers and researchers to surface water characterization colloid chemistry and the chemistry of coagulants and the optimum usage of PDA via workshops and practical training sessions conducted by DHI for our researchers and engineers at the Sg Selangor Phase 2 and Sg Sireh WTPs.

UPM-PRC Collaboration

The UPM-PRC collaboration is largely to study the use of natural coagulants as alternative coagulants for the WTPs. So far, six natural coagulants have been identified to be suitable: Moringa Oleifera; Jatropha Curcas; Chitin Chitosan; Dragon fruit foliage; Aspergillus Flavus; and Sago starch.

The latest study revealed that Chitin Chitosan, Jatropha Curcas and Moringa Oleifera have the greatest potential as natural coagulants which can be pursued further.

The UPM-PRC's collaboration has successfully established a portable R&D Pilot Plant ("Pilot WTP"), which is contained in a cabin with the complete set-up of an actual plant. This Pilot WTP is currently parked at the Sg Langat WTP. The Pilot WTP will be used to simulate the actual conditions of the WTP for various process changes, trials of new coagulants and new improvement methods without interrupting the flow of the actual WTP.

PRC also collaborates with a local chemical supplier on a coagulant improvement study using newly formulated Poly Aluminium Chloride ("PAC"), which caters for specific conditions of raw water. With this new development, PRC is expanding the focus to encompass more WTPs. The objective of this new PAC study is to reduce chemical dosage as well as to reduce aluminium residual content in the treated water.

Other Research Activities

PRC is also embarking on the following research activities:

1. Understanding the behaviour of alum coagulation in the water at the Sg Sireh WTP using the PDA.
2. Addressing coloured water issues at Sg Sireh WTP using PAC.
3. Studying the optimization of natural coagulants at the Sg Sireh WTP to reduce colour and residual aluminium in treated water.
4. Developing internal methodology to measure the performance of coagulants and flocculants.
5. Determining and minimizing the factors affecting the justification of coagulant performance between a simulated Jar Test and actual WTP conditions.
6. Optimizing the coagulation process at the Cheras Mile 11 WTP to reduce alum consumption.
7. Comparing performance of other coagulants such as PAC and Aluminium Chlorohydrate at the Cheras Mile 11 WTP.
8. Evaluating optimum polymers to be used at the Cheras Mile 11 WTP.
9. Evaluating the performance of natural coagulants at the Sg Langat WTP.
10. Identifying measures for the reduction of carry-over flocs at the North Hummock WTP.

CRISIS MANAGEMENT

Our capacity to deal with crises is an important aspect of delivering quality services to our customers and stakeholders. To this end, we are prepared at any time to deal and offer our assistance with respect to issues or problems that are related to raw water and treated water and/or our services, within or beyond our control. With our years of experience in the industry, we have expeditiously solved many crises over the years.

In 2001, PNSB initiated a Crisis Management Plan ("CMP") and the WTP Emergency Response Plan ("ERP"), which were updated in 2010. Both plans ensure the most effective response to any form of emergency, crisis or disaster on our premises and installations with minimal disruption to the Group's business operations as well as to protect the Group's corporate image.

We have ten intervention teams at plant level and at various regional offices. These teams are trained to handle chlorine and other chemicals, in addition to being trained in search and rescue.

The CMP was activated four times in 2010 as follows:

Date	Incident
5 March 2010	Sg Langat WTP shutdown due to TNB failure at 33kV incomer supply
26 March 2010 to 27 March 2010	Sg Selisek WTP shutdown due to raw water pollution
10 April 2010 to 12 April 2010	Bukit Nanas WTP shutdown due to raw water pipe burst
16 June 2010	SSP2 Intake shutdown for TNB scheduled maintenance

A safety emergency drill in a fire scenario and a chlorine gas scenario was simultaneously conducted on 22 June 2010 at Wangsa Maju WTP to test the Company's CMP, ERP, and the level of readiness of employees from both headquarters and WTPs, and to enhance communication and coordination with the local authorities and external parties. The drill's favourable results proved the Group's CMP and ERP to be effective.



Water Saving Tips

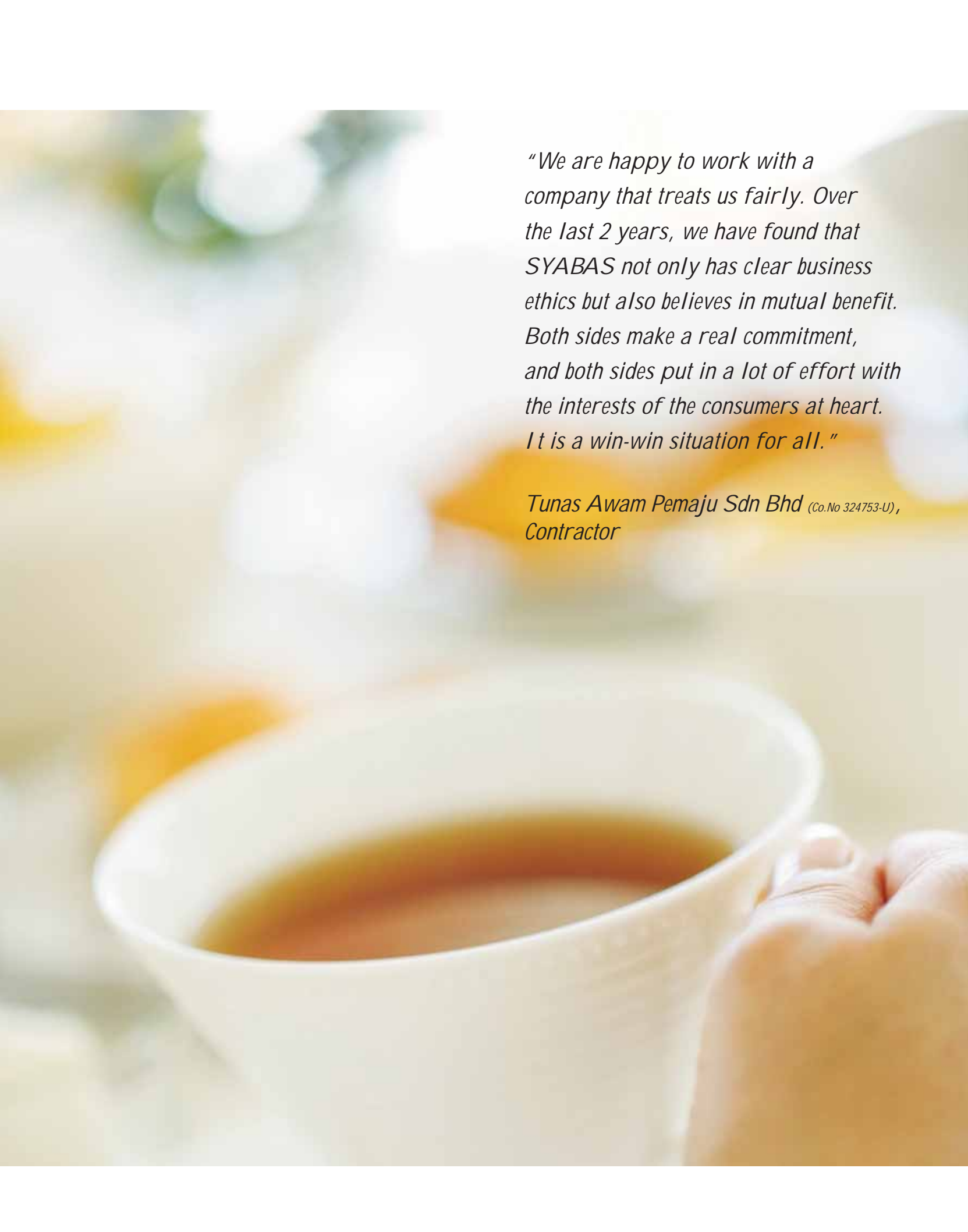
Use a broom and bucket of water instead of water from the hose to wash the patio.



▲ Emergency personnel inspecting the safety of chlorine drums during a Fire and Chlorine Drill at Wangsa Maju WTP

We seek to develop close and long-term partnerships with our business associates. Our relationships grow out of loyalty, professionalism and trust, enabling us to work together to achieve a common goal of sustainable growth.





"We are happy to work with a company that treats us fairly. Over the last 2 years, we have found that SYABAS not only has clear business ethics but also believes in mutual benefit. Both sides make a real commitment, and both sides put in a lot of effort with the interests of the consumers at heart. It is a win-win situation for all."

*Tunas Awam Pemaju Sdn Bhd (Co.No 324753-U),
Contractor*

Business Expansion

MALAYSIA

Telibong and Telipok Projects, Sabah

Puncak Niaga Holdings Berhad's ("PNHB") scope of works, involving the design and construction of a Water Treatment Plant ("WTP"), intake, off-river storage, two reservoirs and pipe laying, was satisfactorily completed on 31 October 2008 and handed over to Jabatan Air Sabah (JAS) on 1 November 2008 for operation. The 24-month Defects Liability Period and the two years of maintenance work at the WTP undertaken by Puncak Niaga (M) Sdn Bhd ("PNSB") expired on 31 October 2010 with a list of minor defects, which were rectified in March 2011. Upon the success of the final inspection of the defects, PNHB will apply for a Certificate of Making Good Defects. The WTP treats and supplies 80 million litres of treated water per day to residential developments, industrial parks and tourist resorts in the Tuaran area.

CHINA

The People's Republic of China ("PRC") has experienced an average of 11% growth in its Gross Domestic Product ("GDP") annually in the last three decades (*source: USA Today*). Growth moderated somewhat during 2010, declining from 10.6% in the first half to a still surprisingly strong 9.6% (year-on-year) in the third quarter. The domestic economy cooled with the fading of the stimulus impact and the normalisation of the monetary stance, and investment and urban consumption decelerated, as did imports. However, with exports still going strong, net external trade contributed significantly to year-on-year growth and the external surplus is now rising again (*source: World Bank: China Quarterly Update November 2010*).

In China's 12th Five-year Plan, the environmental protection investment budget is set to more than double. Assuming water treatment maintains its share (36% in 2008) of environment protection spending over the life of the Plan, there should be a boom in the segment over the next five years (*source: Goldman Sachs*).

The rapid economic development of China represents one of PNHB Group's greatest growth opportunities. In line with our strategy of regional expansion, almost three years after entering the China market in 2008, we are already undertaking two major water supply and wastewater projects in China.

The Group's foray into the China market is being carried out by its 98.65% owned (previously 80% owned in the financial year ended 31 December 2009) Singapore subsidiary, Sino Water Pte Ltd ("Sino Water"); and a number of local subsidiaries in the provinces of China have been set up to execute the various projects in China.



▲
Luwei Water Project
construction site

►
Our investment in China is
conducted via our Singapore
subsidiary, Sino Water Pte Ltd



Lushan Water Supply Project*Located in Lushan County, Pingdingshan City, Henan Province*

In 2010, Sino Water's 87.92% owned China subsidiary, Luwei (Pingdingshan) Water Co Ltd, supplied water to 4,500 consumers in Lushan County Township from the existing 2 MLD WTP, with the daily supply ranging from 1.4 MLD to 1.8 MLD. Water is abstracted from underground and supplied directly to consumers by five pumping stations. When the new 30 MLD WTP ("New 30 MLD WTP"), pipe replacement and meter installation works are all completed in mid 2011, the supply is expected to increase to 10 MLD.

The construction of the New 30 MLD WTP was completed in 2010; and a 13 km length of the raw water pipeline laying work is in progress, with completion expected in June 2011. Once the pipeline to convey raw water from the Zhaopingtai reservoir is completed, the New 30 MLD WTP is expected to be in operation, supplying treated water to consumers in Lushan County Township in mid 2011.

Some 23.4 km of reticulation pipelines were laid and/or replaced in 2010, and a further 9.7 km length will be laid and/or replaced in 2011. A new water meter installation and replacement programme, involving an estimated 10,000 additional consumers, will be carried out in 2011. Upon the installation of the new water meters, the private underground water wells will be closed, and the water supply will come entirely from the New 30 MLD WTP, marking a new era for water supply in Lushan County.

Binzhou Wastewater Project*Located in Yangxin County, Binzhou City, Shandong Province.*

The construction of the Binzhou Wastewater Treatment Plant ("Binzhou WWTP") by Sino Water's 100% owned China subsidiary, Xinnuo Water (Binzhou) Co Ltd, was 75.4% completed as at 31 December 2010. It is estimated that the Binzhou WWTP will be completed and in operation by mid 2011 to serve the Chenlou Industrial Park in Laodian Village, Binzhou City.

The wastewater pipelines from five tannery factories, two building material factories and one chemical factory have already been laid and connected to the inlet of the Binzhou WWTP. On the completion of the Binzhou WWTP, the waste from these factories, which is estimated at 15 MLD, will be channeled to the Binzhou WWTP for further treatment before being discharged into the nearby river.



▲ Luancheng Water Project construction site



◀ Binzhou Wastewater Treatment Plant

Business Expansion

cont'd

With the completion and operational commencement of the new Binzhou WWTP, the current environmental degradation caused by industrial waste will be significantly reduced, resulting in a better investment environment for Laodian Village in general and the Chenlou Industrial Park in particular. According to the Laodian Village Government, investors are eagerly awaiting the completion and operational commencement of the Binzhou WWTP to set up new factories in Chenlou Industrial Park. If this happens, the Binzhou WWTP's capacity will need to be upgraded in the near future.

Luancheng Dayu Water Supply Project

Located in Luancheng County, Shijiazhuang City, Hebei Province

In 2010, Sino Water's 80% owned China subsidiary Luancheng Dayu Water Supply Co Ltd supplied water to 3,493 consumers in Luancheng County Township, with the daily supply ranging from 1.8 MLD to 2.5 MLD. Water is abstracted from underground and supplied directly to consumers by ten pumping stations.

Due to the delay in the implementation of the South-to-North Water Diversion Project by the Central Government of the PRC, the construction of the proposed 10 MLD WTP to supply treated water to domestic consumers, and the proposed 50 MLD WTP to supply water to the industrial consumers, has been deferred to 2012 and 2015, respectively.

Yuanshi Industrial Water Supply Project

Located in Yuanshi County, Shijiazhuang City, Hebei Province

In 2010, Sino Water's 80% owned China subsidiary, Hebei Sino Panlong Industrial Water Supply Co Ltd, supplied 199.6 MLD of water abstracted from Ba-Yi Reservoir to the thermal plant in Yuanshi County and directly to the consumers by gravity flow via a 15.5 km pipeline. There were no major construction works in 2010.

INDIA

India's growth story so far has been commendable. Although only the 11th biggest economy in the world, India is the second fastest-growing, behind PRC (*source: BBC News*). The Indian economy recovered from the slowdown at the time of the global financial crisis with strong GDP growth. The agricultural sector bounced back after the 2010 monsoon brought normal levels of rainfall, and the industrial sector registered double-digit growth for three consecutive quarters. However, the level of inflation is worrying, and The Reserve Bank of India ("RBI") is likely to continue its policy of cautious rate hikes in an uncertain environment.



Yuanshi Industrial Water Supply Project

Luwei Clear Water Tank



India's growing population coupled with its industrialisation has caused a demand for the sustainable development and efficient management of water resources. Although water is a key government concern, and irrigation, water supply and sanitation projects are to a large extent carried out by the government, water investments are calculated to be 10% lower than original estimates (source: *World Bank: India Economic Update December 2010*). On the other hand, private players are actively granting their support to market efficient water management techniques and equipment (source: *Water and Wastewater Management in India, 2010, Netscribes (India)*).

Chennai Water Supply Augmentation Project-1

For most of 2010, PNHB and Lanco Infratech Limited, via the PNHB – LANCO – KHEC Joint Venture, continued to operate and maintain the Chennai Water Supply Augmentation Project 1 – Package III, which was completed in 2005. The original five-year Operation & Maintenance ("O&M") service contract, which ended on 18 January 2010, was extended three times until 30 September 2010, when a local contractor was appointed to take over the O&M service through a tender exercise.

Acquisition of Puncak Niaga Infrastructures & Projects Private Limited ("PNIP Pte Ltd")

On 10 March 2011, PNHB acquired 9,999 Equity Shares of Rs.10/- each (Rupees Ten) in PNIP Pte Ltd, representing 99.99% of the total issued and paid-up share capital of PNIP Pte Ltd for a cash consideration of Rs.99,990/- (Rupees Ninety-Nine Thousand, Nine Hundred And Ninety) only (the "Acquisition"). The remaining 0.01% (1 Equity Share of Rs.10/- each [Rupees Ten] in PNIP Pte Ltd) is held by Ir Tan Hui Kuan, with beneficial holding vesting with PNHB. The intended activities of PNIP Pte Ltd are to carry out infrastructures, constructions and other projects in India. The Acquisition is to facilitate PNHB's expansion plans to pursue business development efforts to secure new business in India.

PAKISTAN

2010 witnessed the successful completion of a collaboration established by a Memorandum of Agreement ("MoA") dated 4 September 2008 between PNSB, the Karachi Water and Sewerage Board ("KWSB") and the Asian Development Bank ("ADB") in relation to the formation of a voluntary partnership with KWSB to provide voluntary services to KWSB through a Twinning Arrangement implemented and financed by ADB as a South Asian Water Utilities Network activity under the Water Operators' Partnership Programme ("Twinning Arrangement"). The MoA ceased on 30 November 2010 upon the successful completion of the Twinning Arrangement.

Through the Twinning Arrangement, PNSB has contributed in enhancing the operation and maintenance of the Pipri WTP in Karachi via developing Standard Operating Procedures for KWSB covering staff training, water quality, maintenance of equipment and safety with the view to increase efficiency and reliability comparable to international best practices.



Water Saving Tips

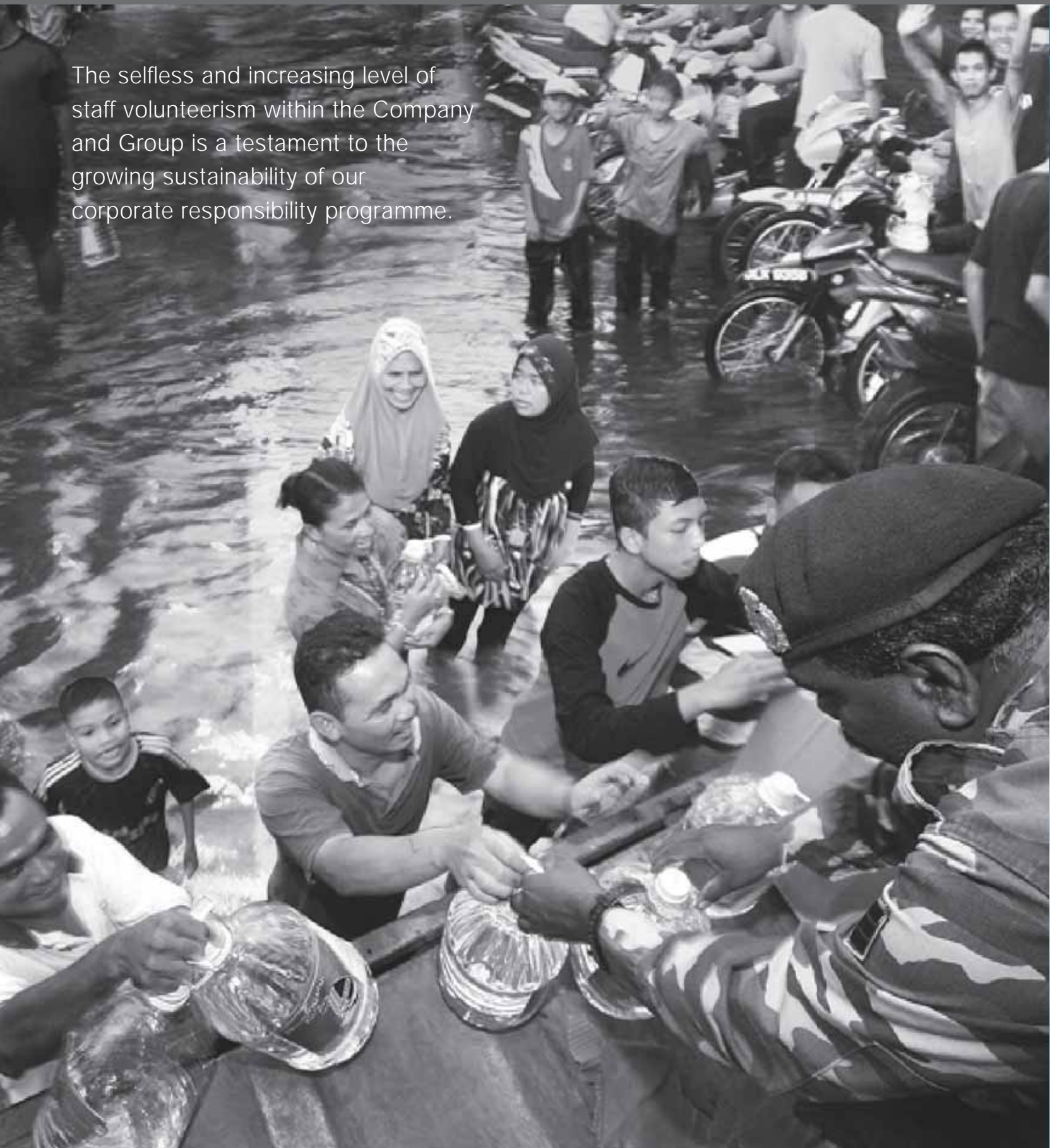
Using mulch in the garden helps to retain moisture.

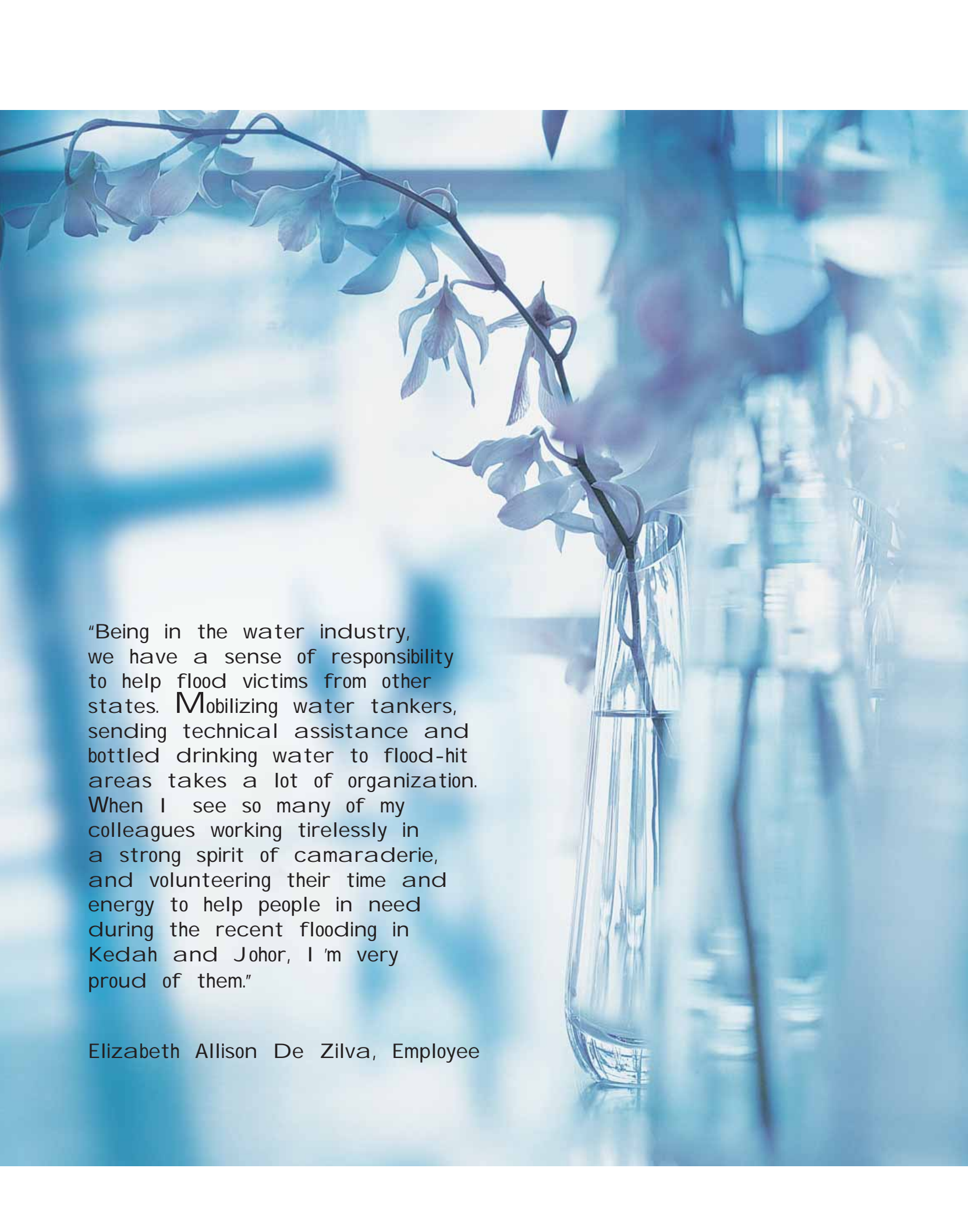
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◀ Luwei Water Treatment Plant

The selfless and increasing level of staff volunteerism within the Company and Group is a testament to the growing sustainability of our corporate responsibility programme.





“Being in the water industry, we have a sense of responsibility to help flood victims from other states. Mobilizing water tankers, sending technical assistance and bottled drinking water to flood-hit areas takes a lot of organization. When I see so many of my colleagues working tirelessly in a strong spirit of camaraderie, and volunteering their time and energy to help people in need during the recent flooding in Kedah and Johor, I’m very proud of them.”

Elizabeth Allison De Zilva, Employee

Delivering Service Excellence

Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") provides its customers with quick, courteous and excellent service through its highly acclaimed and award winning one-stop contact centre, PUSPEL. At PUSPEL, customers receive prompt feedback on all water and water supply related queries, reports and complaints in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The PUSPEL's new logo with the service motto, "Friendly, Committed, and Trusted" was launched on 10 January 2009 as a symbol of our relentless efforts and ongoing commitment to consumers.

PUSPEL operates 24 hours a day, 365 days a year. Customers may interact with PUSPEL staff via toll-free number, facsimile, Short Messaging Service, emails and letters. Ever since PUSPEL's inception, its staff have practiced "SMART" principles in their daily work:-

- S – Smile
- M – Manageable
- A – Accessible
- R – Reliable
- T – Timely

PUSPEL is currently updating SYABAS' customer database and maintaining a Customer Database Management ("CDM") section. PUSPEL is targeting a total of 1.6 million contacts for the database, who can expect to receive directly water disruption notices in SYABAS' areas of operations. Consumers can also follow PUSPEL via social network tools, namely Twitter and Facebook, where users can receive information regarding water disruptions in real-time for scheduled and unscheduled disruptions.

In addition, PUSPEL is continuously looking to introduce workable initiatives and innovations that are geared towards further increasing efficiency and productivity at the workplace, while striving to minimize costs.

COUNTER SERVICE

PUSPEL constantly seeks to enhance its relationship with its customers. Customers can expect to be served within 15 minutes, in accordance with the SYABAS' Client Charter, and all counters adhere to the PUSPEL's code of ethics "M.E.S.R.A.":-

- M – "*Minat*" (Interest)
- E – "*Efisien*" (Efficient)
- S – "*Sabar*" (Patience)
- R – "*Ramah*" (Friendly)
- A – "*Adil*" (Just)



Our courteous and cheerful
PUSPEL staff on the job

For 2010, PUSPEL achieved a Quality Management System ("QMS") rating of only a three-minute waiting period and a nine-minute serving time, an achievement surpassing the SYABAS' Client Charter requirement as stated above.

Delivering Service Excellence

cont'd

Currently, at all SYABAS' District Offices, PUSPEL offers the following over the counter service:-

1. Receiving new applications
2. Opening of new accounts
3. Closing of accounts
4. Change of account ownership
5. Disconnection of service
6. Reconnection of service
7. Checking and printing of bills
8. Refund of deposits
9. Payment of arrears
10. Purchasing water through tankers and renting of static water tanks
11. Meter testing request
12. Reporting the loss of water meters

In 2010, the ten district offices served 229,033 customers over the counter. In a bid to further improve our service, we conducted Professional Customer Service Training to equip our counter staff to handle customer queries in a courteous, polite and thoughtful manner. To further assure our quality of service, our Head of Unit regularly conducts district site visits and site inspections to ensure that all counter staff are adequately briefed and groomed for a smooth running of the counter services and to provide the best of services in line with our service motto "Friendly, Committed and Trusted".

Additionally, all counter services sections submit consumer survey forms twice a year to PUSPEL Headquarters, giving consumer feedback and suggesting ways to improve our services in the future.

On 14 January 2010, we launched PUSPEL on the social networks, "follow@puspel" on Twitter and Facebook to allow our customers to connect with SYABAS and allow them to lodge their complaints or queries easily and effortlessly. This will also enable SYABAS to reach out to our customers who are very demanding consumers and to share information directly and more effectively with this group of consumers.

To help our call handling agents relieve the stress of dealing with consumers daily, we have available a 'scream room' for these people to de-stress themselves.



Visit by Pusat Khidmat Aduan Pengguna Kebangsaan and Biro Pengaduan Awam at SYABAS' Counter Service (left) and SYABAS' Drive-Thru (top) at Wilayah Petaling

Delivering Service Excellence

cont'd

On 14 January 2010, we launched PUSPEL on the social networks, "follow@puspel" on Twitter and Facebook to allow our customers to connect with SYABAS and allow them to lodge their complaints or queries easily and effortlessly.

Dialogue session with
YBhg Tan Sri Lee Lam Thye
and Taman Maluri, Cheras Residents

CALL CENTRE

In 2010, PUSPEL handled a total of 538,525 calls involving 202,270 cases. The Petaling district had the highest number of cases (50,415 cases), followed by Klang and Gombak with 37,043 and 28,573 cases respectively. The number of calls received decreased by 5.2% to 538,525, compared to 567,970 calls in 2009.

The breakdown of calls received from year to year is as below:-

	2005	2006	2007	2008	2009	2010
Calls received	462,431	630,666	583,052	600,865	567,970	538,525
Cases for investigation and remedial action	160,845	231,845	277,098	196,813	204,430	202,270
Remaining Calls	301,586	398,821	355,954	404,052	363,540	336,255

The remaining calls were either repeat calls, enquires about payment and billing, reports of pipe bursts and pipe leaks, reports on water theft and other matters.

Breakdown of Cases for Investigation and Remedial Action in 2010

Type of Cases	2009	2010
Water Supply Problems	174,164	165,209
Billing Problems	17,495	20,371
Faulty Water meters	4,487	8,043
Disconnection	8,284	8,352
Others	-	295
Total	204,430	202,270

Cases of water supply problems decreased from 174,164 in 2009 to 165,209 in 2010, a 5.1% decline. However, during this time period, cases of billing problems rose by 16.4% to 20,371 cases in 2010, up from 17,495 cases in 2009. We also regret to report that cases of faulty water meter rose from 4,487 cases in 2009 to 8,043 cases in 2010.

In spite of the increase in the number of cases on billing problems and faulty water meters, PUSPEL received 153 calls from consumers that commended its efficiency and initiative.

PUSPEL recognizes the importance of interacting with its consumers, as well as maintaining efficiency. The 2010 PUSPEL call centre KPIs were established to ensure that staff handle each call in the most efficient and effective way.



Delivering Service Excellence

cont'd

Criteria	KPI set	KPI Achieved 2010
% of abandoned calls (hourly average)	Not > 1%	0.2%
Average answering time (seconds)	6.0	3.0
Average call handling time (minutes)	3 mins 30 secs	2 mins 49 secs
% of call feedback	100%	123%

As illustrated above, PUSPEL's call centre exceeded all its KPI targets for 2010.

Visitors are always welcome to visit our PUSPEL Contact Centre as we encourage knowledge sharing and exchange of information as well as to discuss areas of common interests in relation to treated water supply.

In 2010, SYABAS hosted the following visits by Puncak Niaga Holdings Bhd's ("PNHB") Audit Committee and various agencies at the SYABAS' Head Office and at PUSPEL Contact Centre:-

Visitors	Purpose of Visit	Date of Visit
PNHB's Audit Committee	Technical Visit	14 January 2010
YBhg Datuk Marimuthu Nadason, President FOMCA and all Presidents of Water Related Associations	Launching of "follow@puspel" on Twitter and Facebook	14 January 2010
YBhg Tan Sri Lee Lam Thye, President of NIOSH	Majlis Penyampaian Hadiah Pelanggan Prihatin SYABAS	23 January 2010
Bername Delegation	Technical Visit	25 January 2010
<i>Pusat Khidmat Aduan Pengguna Kebangsaan and Biro Pengaduan Awam</i>	Technical Visit	4 February 2010
Cambodian Delegation	Technical Visit	19 February 2010
China Delegation – Xiang Cheng District	Technical Visit	12 April 2010
<i>Dewan Perniagaan dan Perindustrian Cina Kuala Lumpur dan Selangor</i>	Technical Visit	23 April 2010
Students from Universiti Teknologi Malaysia, Skudai, Johor	Technical Visit	3 May 2010
Encik Muhammad Sha'ani Abdullah, National Consumer Complaints	Majlis Penyampaian Hadiah Pelanggan Prihatin SYABAS	22 May 2010
Officials from Perbadanan Bekalan Air Pulau Pinang Sdn Bhd	Technical Visit	19 July 2010
<i>Delegasi Badan Regulator Pelayanan Air Minum Daerah Khusus, Ibukota Jakarta</i>	Technical Visit	23 July 2010
<i>Delegasi Bekalan Air Aceh Besar, Indonesia</i>	Technical Visit	26 November 2010



▲ Technical visit by Chinese delegates to SYABAS' Headquarters and PUSPEL

Delivering Service Excellence

cont'd

For excellent customer services to all consumers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya provided by PUSPEL in 2010, SYABAS/PUSPEL have been awarded the special award in "The Best Emerging Contact Centre" category at the 11th CRM & Contact Centre Awards 2010.

UNIT KERJASAMA INFORMASI PELANGGAN ("YAKIN")

To attend to the needs of customers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, SYABAS' Customer Service Department has a separate unit, YAKIN, which is community based. YAKIN works with the *Ketua Kampung*/Community Leaders during site visits and dialogue sessions to better understand the expectation of our customers.

In 2010, YAKIN carried out 3,187 activities and programmes, which included visits, data collection, briefings, dialogues and the following-up of cases. The unit exceeded its KPI targets for 2010, which were as follows:-

Activity	KPI Score
Dialogues	175%
Social & Welfare	200%
Visits	115%

Hulu Selangor achieved the highest target of 250% for dialogues, that is five sessions held on average per month for the 12 months in 2010 compared to only two sessions on average per month as per the KPI requirement.

Petaling exceeded the KPI requirement by 300%, having 12 activities on average per month compared to four activities per month as per the KPI requirement.

Aside from interactive programmes with the local communities, YAKIN operates a system to notify community leaders and residential associations of scheduled Water Supply Disruptions ("WSD"). YAKIN is sensitive to previous resident feedback on WSDs, and sends out notices to Community Heads and Residential Associations two working days prior to the scheduled WSD so that residents in the affected areas can prepare for the temporary water shortage.

In 2010, there were 1,610 cases of WSDs. Altogether, YAKIN sent out 68,623 notices to community heads and residential associations on scheduled WSDs via short messaging service and 7,206 notices via email.

Launching of PUSPEL on Twitter and Facebook, follow@puspel



INDUSTRIAL CONSUMER UNIT (“ICU”)

The Industrial Consumer Unit, PUSPEL’s customer service arm for industrial customers, provides a single point of enquiry for all industrial consumers who have problems with their water supply. The unit is essential in executing, performing and enhancing public relations, building rapport with industrial customers and creating business visibility through relationships with various industrial bodies.

Among the ICU’s duties are the dissemination of information on water disruption, collecting and updating the database on industrial customer profiles, conducting awareness programmes, as well as taking action on all cases reported by industrial customers.

The ICU also actively alerts the Industrial, Commercial and Trade Associations to water supply related matters, as well as information on other SYABAS’ services and products. The unit constantly updates PUSPEL headquarters with monthly activity reports, the data from which is monitored, analysed and compiled.

In 2010, ICU staff visited a total of 3,089 industrial customers and sent out 14,392 short messaging services notifications and 10,651 emails, which informed customers of water disruptions in various areas.

AWARDS

For excellent customer services to all consumers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya provided by PUSPEL in 2010, SYABAS/PUSPEL have been awarded the special award in “The Best Emerging Contact Centre” category for a Government Link Company at the 11th CRM & Contact Centre Awards 2010 organized by the Contact Centre Association of Malaysia.

For details of the Awards, please refer to Awards section on pages 22 and 23 of this Annual Report.



Water Saving Tips

Using the washing machine and dishwasher on full load helps to save water and electricity.



▲ SYABAS/PUSPEL awarded the special award in “The Best Emerging Contact Centre” category for a Government Link Company

Valuing Our People

Our Group supports the 1Malaysia concept as mooted by our Honourable Prime Minister, YAB Dato' Sri Mohd Najib Tun Haji Abdul Razak. The Group is committed to promoting equality amongst all the employees irrespective of race, gender or religion as well as focusing on care and respect for all our employees.

Our Group provides equal opportunities to all employees. We understand the value of a good work force to help enhance our Group's performance and success, and we value employees who are committed, competent and diligent with an aim to harness the talents of the diverse community. The realization of our Vision, Mission and Puncak Values will require us to be committed and to always promote ethical and professional standards amongst all the employees.

EMPLOYEES PROFILE

Puncak Niaga Holdings Berhad ("PNHB") Group ("Group")

In 2010, PNHB Group had a total of 4,245 personnel, including those in overseas operations. This represented an increase of approximately 5.2% compared to the 2009 figure of 4,037 staff.

The breakdown of the Group's employees (excluding our Chinese employees in the People's Republic of China ("PRC") by ethnic group is 90.9% Malays, 2.3% Chinese, 5.9% Indians and 0.9% others.

Based on the table below, the majority of the Group's workforce consists of non-executive personnel (75.4%), with executives at 19.1% and management at 5.5%. Our total employment by gender ratio is approximately 3:1 (Men:Women) due to the nature of our work, which involves a lot of manual labour. However, in Executive and Management positions, gender ratio is close to 1:1 (581 men: 464 women).

Employee Category	No. of Personnel	Gender		Ethnic Group Breakdown (excluding PRC employees)				Ethnic Group Breakdown (Overseas Operations)
		Male	Female	Malay	Chinese	Indian	Others	Chinese
Management	234	170	64	172	33	9	3	17
Executive	811	411	400	713	53	28	14	3
Non-Executive	3,200	2,596	604	2,838	8	206	20	128
Total	4,245	3,177	1,068	3,723	94	243	37	148

Breakdown of the Group's Employees by gender and ethnic group

The Group is committed to promoting equality amongst all the employees irrespective of race, gender or religion as well as focusing on care and respect for all our employees.

We provide equal opportunities to all employees

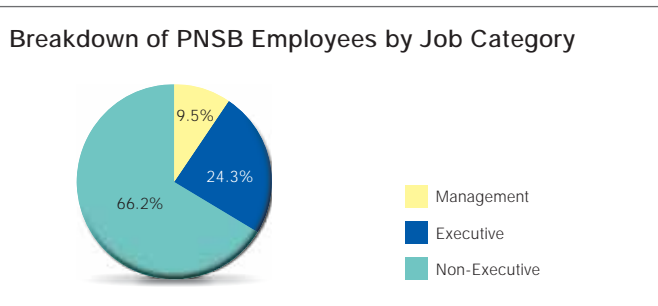


Puncak Niaga (M) Sdn Bhd ("PNSB")

PNSB is a private limited company in the PNHB group of companies. PNSB handles the operations, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities. PNSB had 1,037 employees as at the end of 2010. Out of the total number, 79.0% were male and 21.0% were female.

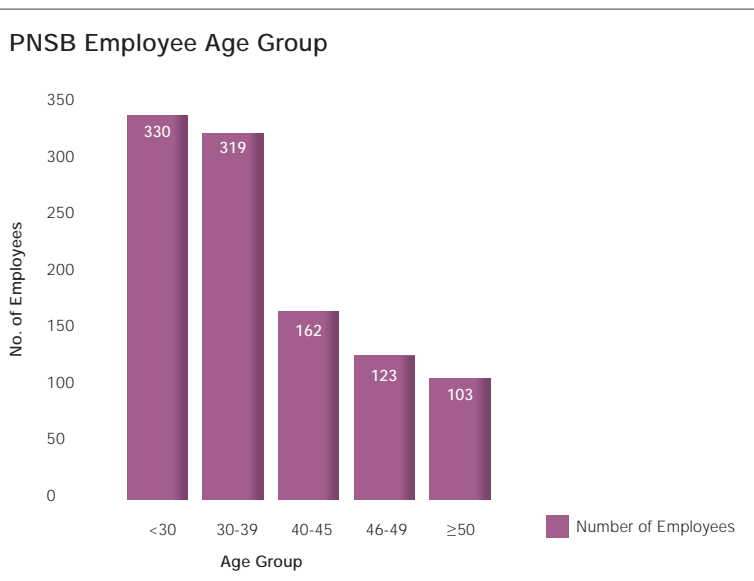
The employment by gender ratio (men to women) is approximately 4:1 due to the nature of PNSB's work, which involves a lot of manual labour.

The breakdown of employees by job category is as follows:-



More than half (66.2%) of PNSB's employees are non-executives, 24.3% are at executive level and the remaining 9.5% are employed in management positions.

94.8% of PNSB's employees are permanent staff, with the remaining 5.2% being contract workers.



Approximately 63% of PNSB's employees are below the age of 40, while 27% are within the age range of 40-49. The remaining 10% of PNSB's employees are over the age of 50.



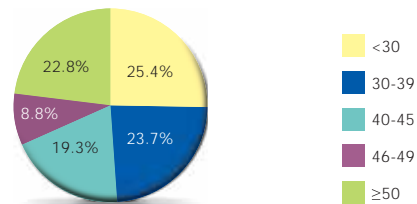
▲ Our employees on an Expedition to Gunung Semeru, Indonesia

Valuing Our People

cont'd

Turnover rate in 2010 for PNSB was 11.0% as compared with 20.6% for the year 2009. The turnover rate derived from staff termination, staff retirement and expiration of staff contract. At 25.4%, the turnover rate was highest among employees under the age of 30, followed by those between the ages of 30-39. The turnover rate was lowest among those between the ages of 46-49.

PNSB Employee Turnover by Age Group



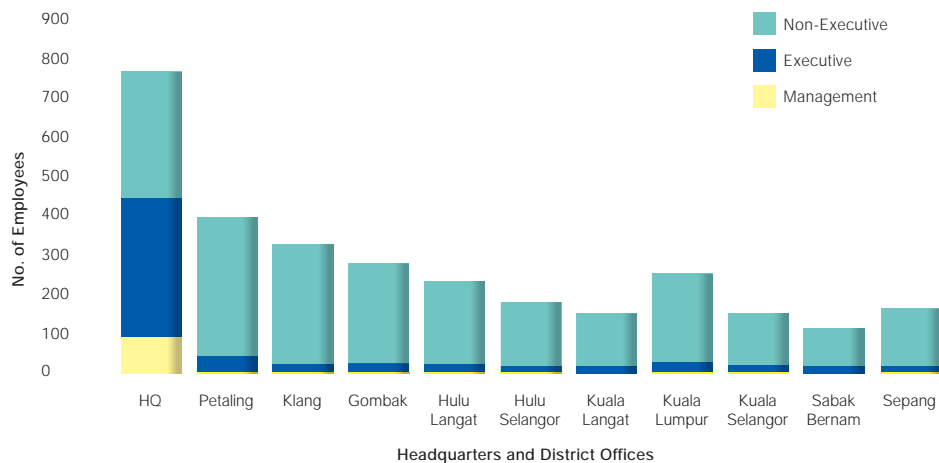
SYABAS

SYABAS is a private limited company in the PNHB group of companies, which carries out the supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. It has a total of 3,049 employees as at the end of 2010, stationed at its Headquarters and at various Districts throughout the Klang Valley.

Of these, 74.1% are male, with the remaining 25.9% female. The employee gender ratio for male to female is therefore approximately 3:1. However this gender disparity is mostly apparent at the various District locations, where a lot of the work involves manual labour. At SYABAS' Headquarters, the gender ratio is approximately 1:1.

The breakdown of employees by job category at all locations is as follows:-

Breakdown of SYABAS Employee by Job Category at All Locations



At 78.1%, a large percentage of SYABAS' employees are non-executives, while 18.2% are executive level. Management positions account for 3.7%.



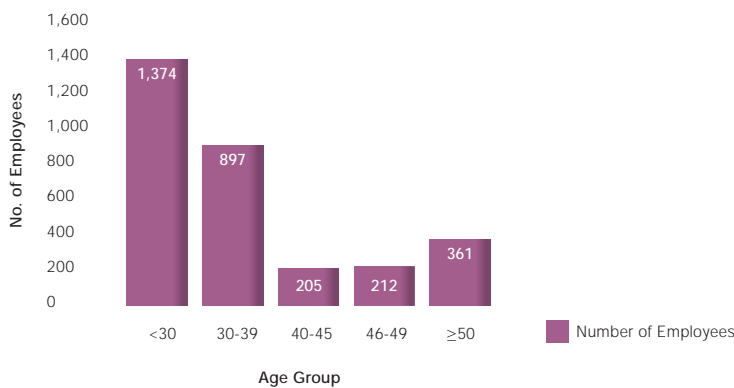
Our employees participated in the Maulidur Rasul celebration at the Federal Territory of Putrajaya

Valuing Our People

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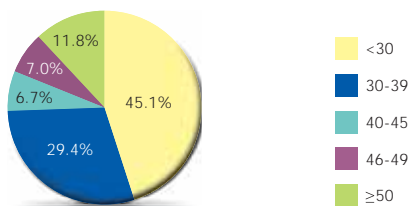
SYABAS employs both permanent and contract employees at its offices but the number of contract employees is usually very much smaller than permanent employees. In 2010, 96.9% of SYABAS' employees were permanent, while only 3.1% had contract positions.

SYABAS Employee Age Group



About 74.5% of SYABAS' employees are under the age of 40, while 13.7% are between the ages of 40-49, and 11.8% of staff are over the age of 50.

SYABAS Employee Turnover by Age Group



The total employee turnover rate for SYABAS in 2010 decreased from 9.1% (2009) to 7.9% (2010). Average monthly payroll per employee at SYABAS in 2010 was RM2,064.10, an increase from RM1,954.79 in 2009.

Puncak Oil & Gas Sdn Bhd ("POG")

POG employs a total 11 employees, all of whom are hired on contract basis. Out of these, eight are male and three are female, with the gender ratio for male to female at approximately 3:1.



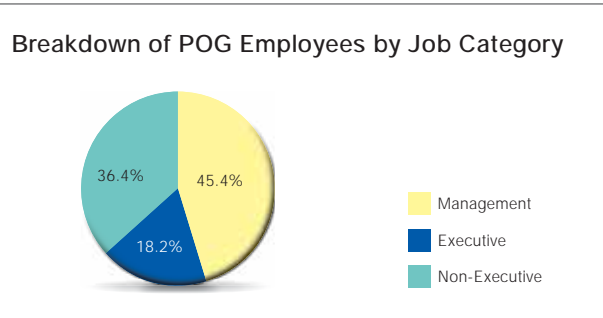
Management giving full support for our employees who participated in the PEKA Treasure Hunt Event

In 2010, PNHB Group had a total of 4,245 personnel, including those in overseas operations. This represented an increase of approximately 5.2% compared to the 2009 figure of 4,037 staff.

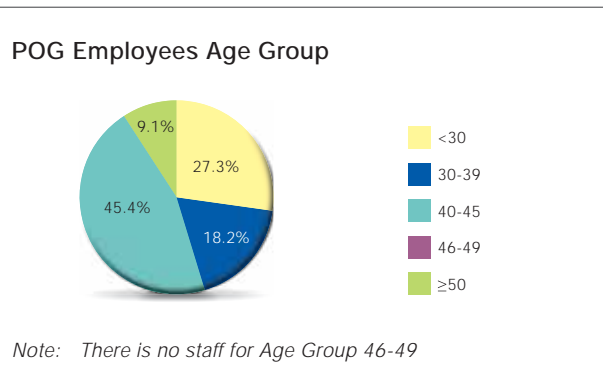
Valuing Our People

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The breakdown of employees by job category is as follows:-



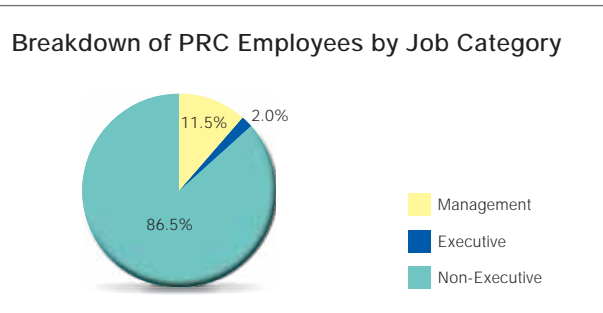
Of our POG's employees, 45.5% are below 40 years of age, 45.4% are within the age range of 40-49, and 9.1% are over the age of 50. Our POG operations hire local employees whenever possible.



The People's Republic of China ("PRC") Operations

The Group's operations in PRC employ in total 148 employees, all of whom are hired on contract basis. Out of these, 90 are male and 58 are female, with the gender ratio for male to female at approximately 3:2.

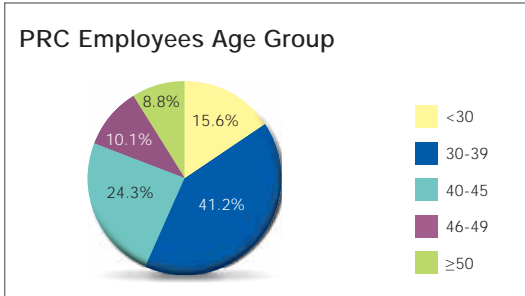
The breakdown of employees by job category is as follows:-



Of our PRC's employees, 56.8% are below 40 years of age, 34.4% are within the age range of 40-49, and 8.8% are over the age of 50. Our PRC operations hire local employees whenever possible.



Our employees and their family enjoying PEKA's Turun Ke Padang 2010 Programme in Klang



Employee turnover rate in 2010 was 2.7%.

EMPLOYEE BENEFITS

Group Employee Benefits

PNSB/SYABAS/POG

Our Group offers a comprehensive Employee Benefits Package which includes insurance coverage for the immediate family, housing and car loan interest subsidies, interest-free assisted education loans as well as Tabung Kebajikan, computer, personal loans, medical benefits that cover outpatient treatment, hospitalization and surgical, dental and maternity benefit for a maximum of up to five surviving children. We also contribute a higher than the statutory rate of employer's contribution to the Employees Provident Fund ("EPF") for employees who have served more than two years.

Our Group offers competitive salary packages too to ensure we retain talented and productive employees. Through the Malaysian Employers Federation ("MEF") and other sources of information which is applicable to the type of industry we are in, we review the Company's employees' benefits to ensure that our employees are adequately remunerated at all times and in accordance to prevailing market conditions and the cost of living.

Being an essential service provider, we require our employees, especially the operations and site employees to put in long working hours round the clock under very challenging site conditions. Hence, we provide the necessary benefit packages, facilities and assistance to ensure that the well-being and safety of our employees are well taken care of at all times and that they are continuously appreciated and rewarded for their hard work.

PRC Operations

To ensure our employees are compensated adequately for their work, we pay no less than the minimum wage, as set by the PRC local authorities.

Although all staff are hired on contractual basis, PRC staff also receive benefits. All local PRC employees have their medical costs covered by a PRC Medical Insurance Contribution plan. Expatriate staff are covered by Hospitalization, Medical and Personal insurance. A subsistence allowance is also provided to employees for any outstation duties.



▲ Our employees participated in PEKA's Fishing Competition 2010 in Shah Alam

Valuing Our People

cont'd

In addition, executive staff and below are paid overtime, in accordance with PRC Labour Laws. Our companies in PRC also provide pension fund contributions for all employees, as required by PRC Labour Laws and the Social Contribution Act.

Employees at our PRC operations are allowed to form a union, in accordance with PRC Labour Laws. However, as at 31 December 2010, there were no unions formed by our PRC's employees.

We also do not hire those below the age of 16, as required by PRC Labour Laws. None of our operations was identified as having a significant risk of incidents of forced labour.

RECOGNIZING EMPLOYEES' SUPPORT

We strongly believe in rewarding our employees for their commitment and hard work.

PNSB

At PNSB, to recognise good work and to motivate productivity, employees with excellent performances are duly awarded with merit bonuses, salary increments and promotions.

SYABAS

At SYABAS, excellent performers are awarded merit bonuses, salary increments and promotions. On 2 April 2010, in appreciation of the employees' contributions, SYABAS held a 'Majlis Pampasan Insurans & Faedah Pampasan Pesara SYABAS for its existing employees and nine retired employees.

On 12 July 2010, SYABAS held a Long Service Award ceremony to recognize the contribution made by employees who have served for ten years and more.

CAREER DEVELOPMENT

The Group has a human capital retention policy to maintain the best employees and provide avenues for employees' development to equip the employees with the necessary skills as they grow with the Company.

With a structured performance evaluation framework in place and with an emphasis on self development and career development, we believe that we have managed to retain and groom the best employees in the Group.



Employees attending external training

Employees attending internal training



Valuing Our People

cont'd

PNSB/POG

Performance Appraisal Exercises are conducted for all our confirmed employees twice a year.

For PNSB, the Independent Employees Performance Review Committee ("IEPRC") is responsible for reviewing, evaluating and harmonizing the assessment and scoring as rated by the Heads of Departments/Divisions. The final recommendation of the review is submitted to the Executive Committee ("EXCO") for approval and decision on the appropriate rewards based on the individual performance of the employees and the Company's performance. The IEPRC also makes recommendations to the EXCO on the appropriate actions to be taken against those employees whose performance is not up to the Company's performance requirements. Every employee will be notified of the final rating as approved by EXCO. Non performing employees undergo counselling to improve their performance and their performance is reviewed for six months on a monthly basis.

On 20 July 2010, PNSB gained the Bronze Award in the HR Excellence Category in the Malaysia HR Awards 2010.

SYABAS

With a robust employee evaluation process in place, SYABAS' employees have the opportunity to gauge for themselves their performance bi-annually which is reflected in SYABAS' annual review process for promotions and salary reviews. Non performing employees are counselled on ways to improve their performance and their performance is reviewed again after six months. The effort in managing the Human Resource at SYABAS has been recognized by the Malaysian Institute of Human Resource Management ("MIHRM") where SYABAS had again been awarded the Bronze Award in the HR Excellence Category in the Malaysia HR Awards 2010 on 20 July 2010. SYABAS had received the same award in 2009.

PRC Operations

Our PRC Operations conduct Performance Appraisal Exercises once a year.

TRAINING

At PNSB and SYABAS, we are committed to equipping our employees with the best resources available and training to carry out their responsibilities and prepare them for the challenges of a knowledge-based and demanding industry, and to enhance the productivity and competitiveness of the Group. Both PNSB and SYABAS sent employees for external training, local and overseas, in addition to in-house training. Accordingly, the numbers of employees who underwent training in 2010 increased for both PNSB and SYABAS.

In 2009, 61% of PNSB's employees were trained but this figure increased to 77.1% in 2010. Meanwhile, SYABAS trained 92.9% of their employees in 2010, a 1.9% increase from 2009 of 91.0%.

We provide the necessary benefit packages, facilities and assistance to ensure that the well-being and safety of our employees are well taken care of at all times and that they are continuously appreciated and rewarded for their hard work.

Valuing Our People

cont'd

We are committed to equipping our employees with the best resources available and training to carry out their responsibilities and prepare them for the challenges of a knowledge-based and demanding industry, and to enhance the productivity and competitiveness of the Group.

On average, approximately 3,635 employees of the Group's workforce attended training in 2010 as follows:-

Category	PNSB		SYABAS		Total	
	2009	2010	2009	2010	2009	2010
Management (including Directors)	53	87	191	149	244	236
Executive	166	205	452	511	618	716
Non-executive	350	508	2,055	2,175	2,405	2,683
Total Trained	569	800	2,698	2,835	3,267	3,635
% of Employees Trained	61.0%	77.1%	91.0%	92.9%	83.3%	85.6%

Note: For both companies, the majority of training was provided to non-executive employees

Number of Employees of PNSB and SYABAS Trained in 2009 and 2010 According to Category (In-House and External Training)

Training was conducted to develop Interpersonal skills, leadership, language, job knowledge/function, health and safety knowledge and first aid and emergency knowledge. In addition to the in-house and external training, we also carried out motivational talks for employees, mostly conducted on Saturdays as part of our Saturday Encounter Programmes.

New PNSB's employees are required to attend a two-day Induction Programme, while new SYABAS' employees have to attend a three-day Induction Programme.

Our training in five broad categories namely, personal and leadership development, positive mindset, functional/knowledge, supplementary knowledge, external training (local/overseas) is as follows:-

Category	PNSB		SYABAS		Total	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
Personal & Leadership Development	39	620	0	0	39	620
Positive Mindset	15	321	2	53	17	374
Functional/ Knowledge	116	783	136	5,295	252	6,078
Supplementary Knowledge	111	207	349	7,912	460	8,119
External Training (Local/Overseas)	167	365	85	179	252	544
Total	448	2,296	572	13,439	1,020	15,735

Note: Employees may attend more than one training session

Breakdown of Training for PNSB and SYABAS in five broad categories for 2010

Valuing Our People

cont'd

PNSB's and SYABAS' expenditure for training increased in 2010. PNSB spent RM759,967.22 on training, 87.7% up on the 2009 training cost. This amounts to approximately RM950 per employee for an average of 24 hours of training. Meanwhile, SYABAS also tripled its training expenditure from RM145,895.67 in 2009 to RM595,612.99 in 2010. This equates to RM210 per employee.

Category	PNSB (RM)		SYABAS (RM)	
	2009	2010	2009	2010
In House	138,350.64	377,643.61	73,885.07	366,921.12
External	266,588.80	382,323.61	72,010.60	228,691.87
Total	404,939.44	759,967.22	145,895.67	595,612.99

Cost of Training for PNSB and SYABAS for 2009 and 2010

PRC Operations

Our PRC Operations spent RM10,087.65 on training in 2010. This equates to RM1,681.00 per employee.

LISTENING TO OUR EMPLOYEES

Listening to and working in tandem with our employees is vital for the growth of our business and our organization. It means building a shared vision of the business within the competitive environment.

We constantly engage and interact with all our employees through our Monthly Staff Assemblies and staff meetings at Divisional and Departmental levels. Our Senior Management adopts a hands-on approach and engages with our employees regularly. Listening to our employees, acting on their views and involving them in improving our business are very important to us. We encourage a two-way communication for all levels at the workplace vis-à-vis sharing information and knowledge.

ENSURING QUALITY WORK ETHICS

In line with good corporate governance, the Group has several Codes of Conduct and Policies which express and support the strategies that steer the Group to achieve its KPIs. These Codes are:

PNSB

- Corporate Disclosure Policy
- Information Technology Policies i.e Software Licence Policy, IT Security Policy and Copying Software Statement
- Investor Relations Policy
- Health, Safety & Environment Policy
- Quality Policy
- Risk Management Policy
- Sexual Harassment Policy



▲ Fostering team work in PEKA's Treasure Hunt event

Valuing Our People

cont'd

SYABAS

- Quality Telephone Ethics
- Standard People Practices Handbooks
- Sexual Harassment Policy
- Corporate Responsibility Policy Statement
- Code of Business Ethics
- Service Counter Ethical Code
- Health, Safety & Environment Policy

POG

- Health, Safety & Environment Policy

PRC Operations

We have an Anti-Corruption Policy in place in our PRC operations. If any of our employees are found to have violated this policy, their employment with us will be terminated. There were no reported incidences of corruption in 2010.

CARING FOR STAFF

PNSB and SYABAS recognize the importance of providing staff with an adequate work-life balance. The Association of Water Supply Workers for Selangor, Kuala Lumpur and Putrajaya ("Persatuan Kakitangan Bekalan Air Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya") ("PEKA") set up on 15 September 2006 is a staff association established to provide welfare assistance and to foster social and cultural bonds between the Group's employees and the community.

In 2010, PEKA organized various events that included recreational activities, sporting events, and cultural and religious programmes. They were:

Recreational Activities

1. PEKA Treasure Hunt, Bangsar to Cyberjaya on 13 March 2010
2. Expedition to Gunung Nuang, Hulu Langat from 19 to 20 March 2010
3. Expedition to Gunung Ledang, Johor from 16 to 17 April 2010
4. Visit to Padang Besar, Perlis on 28 May 2010
5. Expedition to Gunung Semeru-Bromo, Surabaya, Indonesia from 3 to 8 June 2010
6. Mountain Biking Expedition to Fraser's Hill from Kuala Kubu on 26 June 2010
7. Gunung Buah Expedition, Genting Highlands from 24 to 25 July 2010
8. Hiking expedition to Gunung Liang & West 2010, Perak from 2 to 3 October 2010
9. Hiking expedition to Gunung Kinabalu, Sabah from 4 to 7 November 2010



▲
PEKA's Mountain Biking Expedition
to Fraser's Hill on 26 June 2010

Sporting Events

1. Futsal Competition at Rear Sports Arena, Teluk Gadong, Klang on 17 April 2010
2. Volleyball Tournament PEKA 2010 at University Kebangsaan Malaysia, Bangi on 15 May 2010
3. Badminton Tournament PEKA 2010 at SP Setia Badminton Hall, Setia Alam on 19 June 2010
4. Bowling Competition PEKA 2010 at Sunway Pyramid on 26 June 2010
5. Ping pong and Carom Competition PEKA 2010 at SSP2 Water Treatment Plant ("WTP") on 3 July 2010
6. Fishing Competition PEKA 2010 at Air Laut Fishing Pond, Shah Alam on 11 July 2010
7. Sepak Takraw Competition at Kompleks Sukan Negara, Taman Keramat on 7 August 2010

Cultural & Religious Programmes

1. Solat Hajat dan Tazkirah Kakitangan, held every Thursday night and every third Friday of the month
2. Kursus Pengurusan Jenazah at Wisma Rozali on 24 April 2010
3. HAWA Car Maintenance Workshop at SYABAS' Headquarters and Wisma Rozali on 31 July 2010
4. Ramah Mesra Gong Xi Fa Cai at SYABAS' Headquarters on 2 March 2010
5. Bubur Lambok PEKA 2010 at Wisma Rozali, SYABAS' Headquarters and all Wilayah Offices during the month of Ramadhan
6. PNSB/SYABAS/PEKA 2010 Hari Raya Aidilfitri Celebration at SYABAS' Headquarters on 23 September 2010
7. PNSB/SYABAS Deepavali Celebration 2010 at SYABAS' Headquarters on 10 November 2010
8. Majlis Ibadah Qurban at SYABAS' Headquarters, Wisma Rozali and District Offices of SYABAS on 18 November 2010
9. Majlis Berkhatan PEKA 2010 at Darul Ehsan Medical Centre, Shah Alam on 4 December 2010

Other Events

1. Fourth Annual General Meeting of PEKA at Wisma Rozali on 27 March 2010
2. Third KOPEKA Board Member meeting at Wisma Rozali on 27 May 2010
3. Motivational Programme for Excellent Students at Hotel Sri Malaysia, Shah Alam on 24 July 2010
4. PEKA Cares Programme 2010, King George V Silver Jubilee Home on 29 November 2010
5. Excursion to Petrosains and Aquaria KLCC for the children of PEKA members on 1 December 2010

Our Executive Directors and Senior Management participated in these programmes to give support and encouragement to the employees members.



PEKA's Bubur Lambok 2010 during the month of Ramadhan

Valuing Our People

cont'd

The Group ensures that a healthy, safe and environmentally friendly work place is provided to all employees, consumers, contractors and visitors.

ENSURING HEALTH & SAFETY

The Group ensures that a healthy, safe and environmentally friendly work place is provided to all employees, consumers, contractors and visitors.

PNSB

Safety and Health Week Campaign

In 2010, PNSB organized a Safety and Health Week Campaign ("Campaign") which was officially launched on 12 January 2010 by YBhg Dato' Ir Dr Johari Basri, Director General of Department of Occupational Safety and Health. The Campaign, which ends on 15 January 2010 aims to create awareness among employees of the importance of maintaining a culture of safety at the workplace. The Campaign was organized to demonstrate the Company's serious commitment to health and safety at the workplace.

Some of the events during the Campaign included safety quizzes and competitions, exhibitions by PNSB's employees, local authorities and various safety-related agencies, safety talks and safety demonstrations.

Equipped for Emergencies

Some 31 site and safety inspections were carried out in 2010 at 28 WTPs and three dams, in conjunction with the Site Safety Inspection ("SSI") Programme. This is an annual activity to gauge the level of health and safety systems implemented at all work premises, in addition to informing PNSB's employees about, and assisting them to improve, such systems.

As well as the SSI, mock safety drills are often carried out at all WTPs and dams. This is to ensure that the emergency systems in place are adequate for handling such incidences. Wangsa Maju WTP carried out a Mock Safety Drill in 2010 that involved cooperation from local authorities, as well as the Police Department, the Fire Department, Hospital, Majlis Keselamatan Negara and chemical suppliers.

External Inspections

We are visited by external parties namely, officers from the Department of Occupational Safety and Health ("DOSH") of Selangor, Kuala Lumpur and Headquarters. Several WTPs were audited on matters pertaining to industrial hygiene, CIMAH Regulations and factory and machineries certification inspection. We are pleased to announce that PNSB is in full compliance with the statutory requirements regulated by DOSH.

Safety and Health Week Campaign
Live Demonstration on saving
trapped fire victim



Lost Time Injury (LTI)

There was one accident that occurred in 2010, at the Southern Region resulting in the reduction of man hours with zero LTI.

Details of LTI in 2010 are as follows:

Type of Incident	Accidents/Incidents Occurred in 2010						
	SSP2 WTP	Wangsa Maju WTP	Sg Sireh WTP	Central Region	Southern Region	Northern Region	PNSB HQ
LTI	0	0	0	0	0	0	0
Medical Treatment	0	0	0	0	1	0	0
First Aid	0	0	0	0	0	0	0
Near Miss	0	0	0	0	0	0	0
Property Damage	0	0	0	0	0	0	0
Spillage	0	0	0	0	0	0	0
Fire	0	0	0	0	0	0	0
Dangerous Occurrence	0	0	0	0	0	0	0
Chemical Release	0	0	0	0	0	0	0
Explosion	0	0	0	0	0	0	0
Total	0	0	0	0	1	0	0

We are proud to announce that, since its commission in July 1998, SSP2 WTP has demonstrated a high level of commitment to health and safety standards at the workplace and its practices and procedures have constantly followed the Integrated Management System covering ISO 9000 (Quality), ISO 14000 (Environment) and OHSAS 18000 (Safety) Management Systems. It is worth noting that, since September 2002, the LTI has included contractors' and suppliers' man-hours after they have undergone extensive health and safety training and familiarization at SSP2 WTP.

The total man hours with Zero LTI are as follows:-

Year	Million man hours with Zero LTI						
	SSP2 WTP	Wangsa Maju WTP*	Sg Sireh WTP	Central Region	Southern Region	Northern Region	PNSB HQ
2010	3,721,715.78	986,393.71	245,558.15	2,710,726.80	1,899,355.47	2,929,792.89	1,771,511.00

Note: * Wangsa Maju WTP has had zero LTI since 18 July 1998.

Valuing Our People

cont'd

Awards

The SSP2 WTP obtained OHSAS 18001: 2007 certification on Safety Management System in February 2010. We are now working towards the same certification for the 28 other WTPs we manage.

On 30 July 2010, the SSP2, Sg Langat and Bukit Nanas WTPs achieved Class II Gold Awards in the Malaysian Society for Occupational Safety & Health ("MSOSH") Occupational Safety & Health OSH Award 2009 – whereas the Sg Batu and North Hummock WTPs received Silver Awards in the same event.

On 21 December 2010, PNSB was honoured with the Anugerah Cemerlang Keselamatan Dan Kesihatan Pekerjaan Kebangsaan (National Excellence Award 2009 For Occupational Health & Safety) 2009.

SYABAS

SYABAS operates a Health, Safety and Environment ("HSE") Policy to provide a safe and healthy workplace at all times, backed by top management, to ensure that its business is conducted to the highest standards.

SYABAS endeavours to:

- Recognize health, safety and environment objectives as an integral part of its business performance
- Implement a continually improved HSE Management System
- Establish and review periodically the safety and environmental objectives and targets
- Comply with all applicable HSE legal and other requirements to which SYABAS subscribes
- Provide sufficient information, instruction, training and supervision to enhance employees' health, safety and environmental consciousness so that work is performed in a safe manner
- Minimize waste and continually prevent pollution in all activities
- Investigate any incidents where/whose findings can be used to develop and continually improve health, safety and environmental conditions and performance.

SYABAS' Occupational Safety and Health ("OSH") Programmes are coordinated to ensure that we are able to harmonize and make OSH part of the workplace culture.

Equipped for Emergencies

In 2010, the programme on OHSAS 18001 certification was focused on the "Checking and Corrective Action" regime. In completing this strategy, a number of relevant programmes were conducted which involved all business levels in the Company. 33 employees who were trained internally by HSE Department, were appointed as OHSAS Internal Auditors (three auditors per district) and they are responsible for evaluating the effectiveness and efficiency of the implemented OHSAS documents.



OHSAS 18001 training in session

Valuing Our People

cont'd

Hazard Identification, Risk Assessment and Risk Control ("HIRAC") is the main document that needs to be evaluated by the Internal Auditors since the root cause of any incident in SYABAS is generated by hazards at workplace. A number of HIRAC Assessment briefings were conducted to ensure the auditors and employees understand the importance of identifying and controlling hazards at the workplace. A Steering Committee comprising members from the management was also established to assist in the implementation of OHSAS 18001 and to ensure the objectives and targets set for this programme are achieved.

Another method used to evaluate the effectiveness of the implemented OHSAS 18001 documents is via participation in the OSH Award competition. In 2010, all districts participated in the MSOSH OSH Award Competition.

One of OSH's crucial documents revised in 2010 was the Permit To Work (PTW) where the authority to approve the PTW has now been restricted to only two persons i.e. the Technical Manager and the Head of Department/District.

In 2010, the OHSAS Internal Auditors at each district were requested to conduct two audits on six-monthly frequencies in relation to the OHSAS 18001 documentation implemented at their respective districts. This is to evaluate the efficiency of the procedures set out in the documents and to propose suitable measures to address any issue of non-compliances. In all the audits, the district auditors are assisted by two HSE staff.

SYABAS conducted a total of 227 SSIs at various locations, including pump houses, reservoirs, project sites, store areas and office buildings. There were 134 incidences of non-compliance found during the SSI and the various districts were notified to implement corrective action. All incidences of non-compliance have since been addressed successfully and all cases have been closed.

SSI is conducted every month to ensure premises under SYABAS and various contractors are in compliance with OSH regulations.

Fire drills were conducted on 15 April 2010 at the Head Office and the Kuala Lumpur District Office with the involvement of the Fire and Rescue Department, the Police Department, a hospital, the Federal Health Department and the Malaysian Red Crescent Society. This fire drill was carried out to ensure that SYABAS complies with Section 13 of the Factories & Machinery Act 1970 (Safety, Health & Welfare), which requires every factory to take necessary precautions against fire.

All our premises have been gazetted as "No Smoking" zones since 1 March 2009. The Group educates our employees on the cultivation of a healthy working environment.

The Group educates our employees on the cultivation of a healthy working environment.



Mock Safety Drill held at Wangsa Maju WTP

Valuing Our People

cont'd

External Inspections

In 2010, the Department of Occupational Safety and Health (DOSH) conducted an inspection of 29 units of Air Scouring Machines in accordance with the Factory Machinery Act (FMA) 1967's regulations requirement on renewal of machinery Certificate of Fitness. The inspection of the Air Scouring Machines complied with DOSH regulations.

Lost Time Injury (LTI)

SYABAS aims to complete accident and incident reports within three days to ensure cases are resolved quickly. There were 37 accidents recorded in 2010, as follows:

Type of Incident	No.
Community Accident (CA)	28
Property Damage (PD)	3
Loss Time Injury (LTI)	1
Near Miss (NM)	1
Medical Treatment Injury (MTI)	4

As at end of 2010, SYABAS had recorded 20,592,081 manhours without LTI.

Awards

On 30 July 2010, the Petaling, Hulu Langat, Klang and Kuala Lumpur Districts all collected MSOSH Class 1 Gold Awards in the MSOSH Occupational Safety & Health OSH Award 2009 for the Utilities Sector Category, and in the same category, Kuala Langat, Sepang, Gombak, Hulu Selangor, Kuala Selangor, Sabak Bernam Districts gained Class II Gold Awards for 2009.

BOUNDARY NOISE MONITORING AT PUMP HOUSE

SYABAS

Eight high tension Pump Houses were selected by SYABAS for the Boundary Noise Monitoring Programme held from 2 December 2010 until 20 December 2010. This programme was conducted to comply with the requirements of the Factories and Machinery Act (Noise Exposure) Regulations 1989, Part III: Monitoring of Exposure, which requires employees to monitor the noise in the workplace to ensure it does not exceed acceptable levels.

Training for SYABAS water tanker drivers during the ERP Operation



EDUCATIONAL VISIT TO GOOD OSH PRACTITIONER

SYABAS

Two study visits to Cabot Malaysia Sdn Bhd on 21 April 2010 and to the TNB Power Plant Station at the Cameron Highlands on 26 July 2010 and 27 July 2010 were successfully conducted by SYABAS to enable HSE Committee Members and HSE Department employees to gain knowledge and experience on OSH implementation.

SECURITY SERVICES

The Group's premises are secured by the Auxiliary Police, whose duty is to create and maintain a safe working environment for employees and to protect company assets. It is vital that the Auxiliary Police project a good image to the public as they perform the task of overseeing the security of the Group's premises and employees, as well as being responsible and be involved and investigating any security matters of the Group.

As at 31 December 2010, PNHB had 291 Auxiliary Police who had undergone basic training conducted by Polis Di Raja Malaysia ("PDRM") at the Police Training Centre at Jalan Semarak, Kuala Lumpur (PULAPOL). Training is also conducted annually to ensure PNHB's Auxiliary Police personnel are constantly equipped to carry out their various duties. The shooting training is conducted twice a year to ensure the Auxiliary Police have good shooting skills and are able to maintain firearms efficiently.

The types of training conducted included the use and maintenance of firearms efficiently, protocol for carrying out duties, training on various laws and enactments, and the proper protocol for arresting offenders and approaching civilians.

Additionally, members of the Auxiliary Police team undergo physical examinations twice a year to ensure that they are fit and meet the mandatory requirement to always stay fit and able to perform on the job.

On 4 August 2010, PNHB joined the National Key Result Area ("NKRA") programme, under which the Group's Auxiliary Police personnel joined Police Officers from the Police Headquarters in Shah Alam to patrol the areas around Section 13, Shah Alam in a bid to reduce crime.

MANAGING OUR SUPPLIERS AND CONTRACTORS

PNSB

As at 31 December 2010, PNSB had enlisted 118 contractors as panel contractors or consultants. To ensure the quality of the contractors' or consultants' services, we have incorporated clauses in our contracts that state that any work done has to be of the highest quality and must conform to our standard practice. If contractors or consultants fail to meet such high standards, PNSB has the right to reject the goods or services provided by them.



▲ Our Auxiliary Police undergoing training

Valuing Our People

cont'd

In addition, contractors or consultants are selected based on the following, using a scoring system:

1. Financial and Operating Strength
2. Past and Current Performance Record
3. Licence or Certification from Government and Regulatory bodies
4. History of Satisfactory Performance with other Companies
5. Registration with Relevant Government Agencies or Bodies

Contractors or consultants must obtain an overall score above 50% to be qualified for potential appointment by the Company.

We do not condone contractors who are unable to provide proper services, thereby putting us and the consumers at risk by causing water supply disruptions and other inconveniences or dangers. We do not hesitate to penalize or terminate contractors who do not exercise safety at the work site or who fall short of our requirements in these areas:

- Use of inappropriate tools/equipment at site
- Causing road safety issues
- Late delivery
- Lack of safety measures on site
- Poor work quality
- Lack of personnel protective equipment on site

We are pleased to report that in 2010, there were no contractors or consultants suspended from service.

SYABAS

There was a total of 293 contractors or suppliers registered with SYABAS. Like PNSB, SYABAS has a procurement policy with which contractors or suppliers have to comply before they are shortlisted.

Contractors or suppliers of SYABAS are given the following as guidelines:

- Garis Panduan Pendaftaran Kontraktor, Pembekal dan Penyedia Perkhidmatan
- Garis Panduan Bagi Kerja-Kerja Penyenggaraan Paip SYABAS



Our contractors exercise safety at work



Several contractors were suspended by SYABAS in 2010 due to the following reasons:-

- Failure to wear SYABAS T-shirt or name tag during working hours
- Failure to have SPAN registrations renewed
- Failure to comply with safety aspects at construction sites
- Failure to complete work on time
- Failure to supply goods within the agreed schedule
- Failure to supply goods according to SYABAS' specifications

DEVELOPMENT & TRAINING OF CONTRACTORS

PNSB

PNSB conducted training for five of its contractors at the cost of RM800. Each contractor received a total of 1.6 hours of training in 2010.

SYABAS

Meanwhile, SYABAS held eight types of courses and training programmes for its contractors in 2010. These programmes were related to the construction industry and were arranged by Jabatan Penyertaan dan Pembangunan Usahawan Bumiputera (PPUB), under SYABAS in collaboration with the Construction Industry Development Board via a Memorandum of Understanding dated 26 February 2009.

PRC Operations

No training was conducted for the contractors at our PRC Operations in 2010.



Water Saving Tips

Don't overuse garden sprinklers in hot weather. It is better to water your garden in the morning when the temperature is lower and evaporation is less.

Contractors or consultants must obtain an overall score above 50% to be qualified for potential appointment by the Company.

Engagement With Our Community

We are committed to building meaningful long-term relationships with our employees, suppliers, stakeholders and the communities in which we operate. We take Corporate Responsibility ("CR") very seriously and have a policy that specifically addresses various areas that include:

- **The environment**
 - Promote and carry out activities to minimize the risk of pollution and degradation of our environment waste.
- **Employees**
 - Respect the rights and diversity of our employees by providing conducive working conditions and equal opportunities.
- **Ethics**
 - Promote high standards of integrity and professionalism.
- **Relationship with consumers, suppliers and partners**
 - Satisfy consumers', suppliers' and partners' needs and provide a high quality of customer service and business practices.
- **Community involvement**
 - Support philanthropic and charitable giving and encourage our employees to help local communities.
- **Engagement with stakeholders**
 - Listen to and engage with local communities in a responsible and caring manner.

We are committed to building meaningful long-term relationships with our employees, suppliers, stakeholders and the communities in which we operate.

Our policy in exercising social responsibility involves saving, protecting and nurturing the diversity of life on the planet, while helping to protect our sources of clean drinking water. Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") has developed the tagline "Nurturing Relationships" to represent its commitment to environmental preservation as a core element in its CR efforts.

We aim to be recognized as an organization that is transparent and ethical in all its dealings as well as making a positive contribution to the community.

CORPORATE COMMUNITY INVESTMENT

In 2010, Puncak Niaga (M) Sdn Bhd ("PNSB") contributed a total of RM734,700.00 towards various events, including sponsorship and community care. Some of the events included the "Turun Ke Padang" Programme, donations to charitable organizations, sponsorship for community events, sponsorship for educational programmes and events organized for PNHB staff.

World Water Day 2010 celebration ►



Engagement With Our Community

cont'd

RIVER RESCUE BRIGADE (BRIGED PENYELAMAT SUNGAI ["BPS"])

Our River Rescue Brigade ("BPS") held various events with educational and entertainment activities over the course of 2010, such as presentation of drama and choral singing, poetic speaking, colouring contests, IQ tests, BPS presentation, jungle trekking, *gotong-royong* to clean the river, and water related exhibitions to educate students from primary, secondary and tertiary levels and the public on the importance of conserving our water resources, as well as to provide other types of environmental education in general.

These events were:

1. **World Water Day 2010 on 22 March 2010 to 27 March 2010 at SYABAS' Headquarters.**
200 students from the following schools and universities including PEKA members' children participated in the event:-

1. Persatuan Kakitangan Bekalan Air Selangor, Wilayah Persekutuan Kuala Lumpur dan Putrajaya's ("PEKA") members' children
2. SK TTDI 2
3. SK TTDI Jaya
4. SK Bangsar
5. SJK (T) Jalan Bangsar
6. SMK Jeram
7. SMK Sg Burong
8. SM Mahad Hamidiah
9. SM Sultan Abd Aziz, Kajang
10. Universiti Putra Malaysia
11. University of Kuala Lumpur
12. Universiti Teknologi Mara
13. University Malaya

*Note: SJK (T) denotes Sekolah Jenis Kebangsaan Tamil
SK denotes Sekolah Kebangsaan
SMK denotes Sekolah Menengah Kebangsaan
SM denotes Sekolah Menengah*

2. **Launch of the 24th River Rescue Brigade Club with YABhg Datin Paduka Seri Rosmah Mansor, wife of the Prime Minister of Malaysia on 27 April 2010 at Padang Kawat, University Pertanian Malaysia.**

600 students from the following schools and university participated in the event:-

1. SM Taman Tun Dr Ismail Jaya
2. SK Pendidikan Khas Selangor
3. SMK Seri Kembangan
4. SK Kg Johan Setia
5. SK Bkt Beruntung, Rawang
6. SK Parit 9, Sekinchan
7. SJK (T) Ladang West Country Timur
8. SMK Jeram
9. SMK Seri Serdang
10. SMK Seri Gombak
11. SMK Sg Burong
12. SJK (T) Jln Bangsar
13. SK Taman Tun Dr Ismail (2)
14. SMK Sg Besar, Sabak Bernam
15. SK Jenjarom, Kuala Langat
16. SMK Dato' Harun, Tanjong Karang



▲
Launch of 24th River Rescue
Brigade Club with YABhg Datin
Paduka Seri Rosmah Mansor

Engagement With Our Community

cont'd

17. SK Raja Lumu
18. SJK (T) Simpang Lima, Klang
19. SMK Sijangkang Jaya
20. SK Sg Tekali
21. SJK (C) Lick Hung
22. SMK Sri Permata, Petaling Jaya
23. SMK Seri Bintang, Utara
24. SK Rinching Hilir, Bangi
25. SJK (C) Subang
26. Universiti Putra Malaysia

*Note: SJK (T) denotes Sekolah Jenis Kebangsaan Tamil
SK denotes Sekolah Kebangsaan
SMK denotes Sekolah Menengah Kebangsaan
SM denotes Sekolah Menengah
SJK (C) denotes Sekolah Jenis Kebangsaan Cina*

3. Puncak Niaga (M) Sdn Bhd ("PNSB")/SYABAS Programme with BPS members and the media in conjunction with World Environment Day 2010 on 5 June 2010 at Taman Rimba, Ampang.

150 people comprising the following participated in the event to clean the river:-

1. SYABAS' & PNSB's staff
2. Members of the media
3. Staff's children
4. Universiti Putra Malaysia's Lecturers
5. Bukit Sg Puteh Residents Association
6. Visitors to Taman Rimba Ampang
7. Jabatan Perhutanan Negeri Selangor's staff

4. Year 3 Scouts Camp, Sekolah Kebangsaan Taman Tun Dr Ismail 1 & BPS Club on 3 July 2010 to 4 July 2010 at Sg Bil, Tanjong Malim.

40 students from Sekolah Kebangsaan Taman Tun Dr Ismail 1 took part in the event.

5. 2010 BPS Relationship Building Activity on 1 September 2010 at Hotel Singgahsana, Petaling Jaya.

55 people from the following institutions participated in this event to form closer ties between the BPS Club, SYABAS, PNSB, government employees, especially those from the Ministry of Education, State Education Departments, District Education Departments and the media:-

1. Jabatan Pelajaran Negeri Selangor
2. Jabatan Pelajaran Negeri Wilayah Persekutuan Kuala Lumpur
3. Pejabat Pelajaran Daerah Gombak
4. Pejabat Pelajaran Daerah Hulu Langat
5. Pejabat Pelajaran Daerah Petaling Perdana
6. Pejabat Pelajaran Daerah Klang
7. Pejabat Pelajaran Daerah Kuala Selangor
8. SMK Taman Dato' Harun
9. SK USJ 2
10. SK TTDI Jaya
11. Universiti Putra Malaysia's Lecturers
12. Members of the media daripada Majalah Fokus SPM, E-Siswa, E-Baca, Sinar Harian

*Note: SMK denotes Sekolah Menengah Kebangsaan
SK denotes Sekolah Kebangsaan*



Year 3 Scouts Camp at
Sg Bil, Tanjong Malim

Engagement With Our Community

cont'd

6. 2010 SPM Workshop on 13 November 2010 to 14 November 2010 at Dewan Bunga Raya, SYABAS' Headquarters, Kuala Lumpur.

45 students comprising children of PEKA members joined the workshop to prepare them for 2010 SPM. They were briefed by experienced teachers on the best techniques to answer questions. Topics covered were Mathematics, English, History, Bahasa Melayu and a Motivational Talk for SPM.

7. BPS Exploration Programme

In 2010, the BPS Club ran 18 programmes involving students and teachers from various primary and secondary schools in Selangor and Kuala Lumpur. The programmes were:

- o School Visit Programme
- o Visit to the Dams and PNSB's Water Treatment Plants ("WTPs")

- The participating schools were:-

(i) School Visit Programme

No.	School	Date
1.	SMK Taman Dato' Harun, Petaling Jaya	29 July 2010
2.	SK USJ 2	5 August 2010
3.	SMK Sg Besar, Sabak Bernam	29 September 2010
4.	SJK (T) Ladang Sabak Bernam	29 September 2010
5.	SJK (C) Tun Tan Cheng Lock	5 October 2010
6.	SJK (T) Ladang West Country Timur	12 October 2010
7.	SJK (C) Onn Pong 2, Pandan Mewah	14 October 2010
8.	SMK Gombak Setia	15 October 2010
9.	SMK Seksyen 16, Shah Alam	2 November 2010

Note: SJK (T) denotes Sekolah Jenis Kebangsaan Tamil
SK denotes Sekolah Kebangsaan
SMK denotes Sekolah Menengah Kebangsaan
SJK (C) denotes Sekolah Jenis Kebangsaan Cina



▲ BPS Club - Visit to Tasik Subang Dam by students from SMK Seksyen 16, Shah Alam



◀ BPS Exploration Programme - Sekolah Kebangsaan USJ2

Engagement With Our Community

cont'd

(ii) Visit to the Dams and PNSB's WTPs

No.	School	WTP	Date
1.	SMK Sg Besar, Sabak Bernam	Batang Berjuntai Intake & SSP2 WTP	9 October 2010
2.	SJK (T) Ladang Sabak Bernam	Batang Berjuntai Intake & SSP2 WTP	9 October 2010
3.	SMK Taman Dato' Harun, Petaling Jaya	Batang Berjuntai Intake & SSP2 WTP	23 October 2010
4.	SJK (C) Tun Tan Cheng Lock	Batang Berjuntai Intake & SSP2 WTP	23 October 2010
5.	SJK (C) Onn Pong 2, Pandan Mewah	Klang Gates Dam & Wangsa Maju WTP	30 October 2010
6.	SMK Gombak Setia	Klang Gates Dam & Wangsa Maju WTP	30 October 2010
7.	SK USJ 2	Batang Berjuntai Intake & SSP2 WTP	30 October 2010
8.	SJK (T) Ladang West Country Timur	Bukit Tampoi Intake & WTP	13 November 2010
9.	SMK Seksyen 16, Shah Alam	Tasik Subang Dam & North Hummock WTP	13 November 2010

Note: SJK (T) denotes Sekolah Jenis Kebangsaan Tamil
SK denotes Sekolah Kebangsaan
SMK denotes Sekolah Menengah Kebangsaan
SJK (C) denotes Sekolah Jenis Kebangsaan Cina

8. BPS Charity Programme.

- As at December 2010, the BPS Club had contributed educational support funds to 21 primary and secondary students of different races in line with the 1Malaysia Concept supported by PNSB and SYABAS. These students were selected based on their academic achievements and their family background, with the help from the schools, State Education Department and the Department of Education.



BPS Exploration Programme
at Bukit Tampoi Intake and WTP

BPS Exploration Programme
at Klang Gates Dam and
Wangsa Maju WTP



9. Advertising, Contributions & Exhibitions.

- In 2010, the BPS Club was also involved in environmental programmes, donations and exhibitions at various schools, as well as in collaboration with private and government organizations. The main objective of such events was to promote the BPS Club and to create public awareness on the importance of conserving our rivers. There were five such events held in 2010, namely:-
 - o Environmental Awareness Education Programme 2010 on 30 June 2010 at Sekolah Seri Puteri, Cyberjaya.
 - o River Cleaning Programme Pancing.Net 2010 on 9 October 2010 at Pusat Rekreasi Sedayu, Gombak, Selangor.
 - o Waste Minimization Awareness Day 2010 on 12 October 2010 to 13 October 2010 at Politeknik Sultan Idris Shah, Sg Air Tawar.
 - o BPS Exhibition in conjunction with ECO Carnival 2010 on 11 November 2010 at SMK (P) Alam Shah, Petaling Jaya.
 - o BPS Exhibition in conjunction with PNSB Book Fair 2010 with cooperation from the National Library on 13 November 2010 at Wisma Rozali.

The BPS Club held its Third Annual General Meeting on 22 May 2010 at Wisma Rozali in Shah Alam. The main item on the agenda for the meeting was to elect committee members for 2009–2011 to replace the outgoing members.

As at December 2010, there were 4,204 BPS club members, comprising students from 186 primary/secondary schools in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, an increase of 880 students on the 2009 figure.

TABUNG BUDI

Tabung Budi was founded on 24 August 2010 by SYABAS' and PNSB's staff. The programme is headed by our Executive Chairman, YBhg Tan Sri Rozali Ismail and is also known as *"Program Bekalan Air Percuma Untuk Golongan Yang Memerlukan"* (Free Water Supply for the Needy Programme). The programme was launched with the payment of arrears to enable reconnection of disconnected water supply followed by presentation of a donation of six months' of free water supply. The event was officiated by our Executive Chairman.

The Selangor State Government provides 20m³ of free water worth RM11.40 to all households across all income groups within the Selangor State that fall under Tariff Code 10. Under the Tabung Budi initiative, higher income earners may opt to surrender their rights to the free water subsidy in favour of the less fortunate.

This initiative was launched after we found that some residents were unable to pay their monthly water supply bills and had their water supply discontinued as a result. Beneficiaries of Tabung Budi will receive six months' supply of free water. In addition, the accumulated arrears would be paid off to enable reconnection of disconnected water supply.

Those who qualify for Tabung Budi benefits are poor families, those without steady income, single parents, senior citizens, people with disabilities, orphans etc. Priority is given to those who cannot afford to pay their monthly water supply bills and have had their water supply discontinued as a result.

Our River Rescue Brigade ("BPS") held various events with educational and entertainment activities over the course of 2010, on the importance of conserving our water resources.

Engagement With Our Community

cont'd

Initially, the Tabung Budi programme was initiated and contributed by SYABAS' and PNSB's staff who wish to surrender their rights to the free water subsidy in favour of the less fortunate but, since 22 October 2010 with interest shown by the public, it has been extended to the public.

As at 31 December 2010, a total of 29 families had benefited from Tabung Budi. The benefits that they received includes the following:-

- Their water bill arrears fully paid by Tabung Budi so they are able to resume their water supply and receive the 20m³ of free water from the Selangor State Government (the 'free water' is only enjoyed by these families if their water supply is active, not disconnected or terminated).
- Their monthly water bill for the following 6 months fully paid by Tabung Budi so that they can continue to receive water supply and continue to receive the first 20m³ of free water from the Selangor State Government.
- Any internal leakages in the internal piping systems of the recipients' premise repaired by Tabung Budi.
- During the six months period, each family is advised and educated on wise and prudent water usage, to avoid wastages so that when the Tabung Budi's period of six months is over, these families are able to service the monthly water bill on their own.

OTHER CORPORATE RESPONSIBILITY EVENTS

1. Educational Outreach Programme (3P)

We organized monthly 3P programmes, conducted in collaboration with the BPS Club, to help educate children in primary and secondary schools about the importance of preserving rivers and the environment. More than 50 schools within the area of our operations have benefited from this programme. The list of participating schools in 2010 is as follows:-

No.	Date	Name of School	No. of Participating Students
1	28 January 2010	SK Taman Tun Dr Ismail Jaya, Shah Alam	200
2	29 April 2010	SK Tg Sepat, Kuala Langat	100
3	6 May 2010	SK Bandar Baru Salak Tinggi, Sepang	150
4	21 July 2010	SK Tun Abdul Aziz Majid, Hulu Langat	220
5	6 October 2010	SJK (T) Batang Kali, Hulu Selangor	80
6	7 October 2010	SK Taman Seri Gombak, Gombak	350
7	13 October 2010	SJK (T) Vageesar, Kuala Selangor	130

Note: SJK (T) denotes Sekolah Jenis Kebangsaan Tamil
SK denotes Sekolah Kebangsaan

On 24 August 2010, we launched the Tabung Budi Programme, which is also known as "Program Bekalan Air Percuma Untuk Golongan Yang Memerlukan" (Free Water Supply for the Needy Programme) with the payment of arrears to enable reconnection of disconnected water supply followed by presentation of donations of six months' of free water supply to three donees.

Engagement With Our Community

cont'd

2. World Water Day 2010

World Water Day in 2010 was celebrated with the slogan "Clean Water for A Healthy World". In line with this, our activities were tailored to raise awareness about the importance of sustaining healthy ecosystems, as well as the challenges of effective water management. Those who attended the event were primary school children, who were given the opportunity to visit SYABAS' Headquarters, District Offices in Selangor and the Federal Territory of Kuala Lumpur, and PNSB's WTPs and also participate in a Youth Leader Camp organized by UNESCO-IHP in conjunction with World Water Day 2010.

3. Donation and Welfare Drive 2010

We extended our CR activities to the community during the fasting month and during the festive seasons by providing donations and other types of welfare contributions to the less fortunate families and individuals. These activities aim to bring the community together and to spread goodwill.

A list of communities who benefitted from this drive includes:-

No.	Date	Community/Venue
1	2 March 2010	At Ramah Mesra Gong Xi Fa Cai - Ti-Ratana Orphanage Home, Salak South Baru, Desa Petaling - Persatuan Kristian Shuang Fu, Taman OUG, Kuala Lumpur - Taman Megah Handicap Home, Petaling Jaya - Beautiful Gate Foundation, Petaling Jaya
2	31 July 2010	Surau Fasa 1, Bandar Utama, Batang Kali, Hulu Selangor
3	31 July 2010	Baitus Sakinah Orphanage, Kota Warisan, Sepang
4	4 August 2010	Columbia Hospital, Bandar Puteri, Puchong
5	7 August 2010	Area around Masjid Jamek and Main Post Office Kuala Lumpur
6	10 August 2010	Masjid As-Solihin, Kanchong Darat, Kuala Langat
7	13 August 2010	SMK Taman Dato' Harun, Petaling Jaya
8	17 August 2010	SK Jugra, Kuala Langat
9	19 August 2010	Selayang Hospital, Gombak
10	26 August 2010	PW Sg Jelok, Hulu Langat, Kajang
11	26 August 2010	Around Klang/Shah Alam



▲ Tabung Budi Programme
- Free Water extended to a less fortunate family in Puchong



◀ Tabung Budi Programme
- Free Water extended to a less fortunate family in Hulu Selangor

Engagement With Our Community

cont'd

No.	Date	Community/Venue
12	25 September 2010	At PNHB Group's Hari Raya Aidilfitri Open Day 2010 - Rumah Amal Cahaya Tengku Ampuan Rahimah (RACTAR) - Rumah Anak Yatim Shifa - Rumah Bakti Nur Syaheera - Persatuan Kebajikan Anak Pesakit HIV/AIDS Nurul Iman (PERNIM)
13	27 September 2010 to 1 October 2010	At Hari Raya Aidilfitri Open Day - Sabak Bernam District Office - Kuala Selangor District Office - Kuala Langat District Office - Petaling District Office - Gombak District Office - Klang District Office - Hulu Langat District Office - Rest House Hulu Selangor - O & M Store, Sg Besi - Sepang District Office
14	10 November 2010	At Open Day Deepavali PNSB/SYABAS - Taman Megah Handicap Home, Petaling Jaya - 70 less fortunate and elderly individuals from 10 districts namely Kuala Selangor, Klang/Shah Alam, Kuala Lumpur, Hulu Selangor, Petaling, Gombak, Sepang, Sabak Bernam, Hulu Langat and Kuala Langat.

Note: SK denotes Sekolah Kebangsaan
SMK denotes Sekolah Menengah Kebangsaan

4. Sponsorship

We received hundreds of requests for contributions and social events every year. While we review and respond to all external requests for sponsorships, the emphasis of our sponsorship is on creating or pursuing activities that provide the most effective contribution to, and are best aligned with our business objectives.

We follow a set of guidelines to help us determine where to best place our resources:

- Events that enhance relations between us and the government
- Events that strengthen our brand and corporate reputation
- Events that promote a greater awareness, understanding and appreciation of our services
- Events that augment educational standards, especially to the benefit of the underprivileged
- Events or activities that provide assistance to individuals to start up small businesses that are aligned with the company's business strategy
- Events or activities that enable us to connect to consumer groups
- Events or activities that leverage opportunities associated with the sponsorship
- Events or activities by individuals or organizations that are able to demonstrate effective community support and involvement
- Events or activities that offer value propositions across all segments of society
- Events or activities that are able to account effectively for how the investment is to be spent and the outcome of the event /activities



PNHB Group's Hari Raya
Aidilfitri Open Day 2010

5. Appreciation of our Consumers

"Majlis Penyampaian Hadiah Pelanggan Prihatin SYABAS" is a celebration to acknowledge and award prizes to the lucky draw winners amongst consumers who assisted SYABAS in lodging useful reports in 2010 via the toll-free number 1-800-88-5252 which helped shorten the investigation period and enable SYABAS to act swiftly to solve the reports/problems and enhance SYABAS' service level by reducing the period of water interruption and reduce water loss. The event was held three times in 2010 at the Auditorium at SYABAS' Headquarters in Jalan Pantai Baharu, Kuala Lumpur on 23 January 2010, 22 May 2010 and 21 August 2010.

6. Social Responsibilities for 2010

- (1) On 22 March 2010, in conjunction with the World Water Day 2010 celebration, we organized a Programme simultaneously at SYABAS' Headquarters, at some of the District Offices in Selangor and the Federal Territory of Kuala Lumpur and at PNSB's WTPs.
- (2) On 15 May 2010, we organized a Programme, '*Gotong-Royong Perdana & Program Pendidikan & Kesedaran Pengguna*' with Sekolah Kebangsaan Simpang 4 and the Youth of Simpang 4, Bagan Nakhoda Omar.
- (3) On 30 May 2010, we organized a '*Gotong-Royong*' with the Residents Association of Taman Banting Baru, Kuala Langat.
- (4) On 10 July 2010, we organized a '*Gotong-Royong Membersih Kawasan Dan Mencuci Tangki Air Masjid Baituhilal*' at Bukit Jugra, Kuala Langat.
- (5) On 17 July 2010, we launched the Campaign for '*Bekalan Air Bersih untuk Semua (BAGUS!)*' at Ladang Hopeful, Kuala Selangor.
- (6) On 24 July 2010, we organized a '*Gotong-Royong & Kesedaran Pengguna berhubung Kualiti Air*' at Seksyen 4, Bandar Baru Bangi.
- (7) On 7 August 2010, we organized a '*Gotong-Royong Perdana 2010 Program at Bandar Utama*' at Batang Kali, Hulu Selangor.
- (8) On 24 August 2010, we launched the Tabung Budi Programme, which is also known as "*Program Bekalan Air Percuma Untuk Golongan Yang Memerlukan*" (Free Water Supply for the Needy Programme) with the payment of arrears to enable reconnection of disconnected water supply followed by presentation of donations of six months' of free water supply to three donees. The launching and the presentation of the donations were officiated by our Executive Chairman. The Tabung Budi Programme was extended to the public on 22 October 2010.
- (9) In conjunction with Hari Raya Aidilfitri, on 7 September 2010, we organized a presentation of donations to three families whose houses were caught in a fire.



Water Saving Tips



Use a sponge and bucket of water to wash your car.



▲ The launch of the Campaign for "Bekalan Air Bersih untuk Semua (BAGUS!)" at Ladang Hopeful, Kuala Selangor

Engagement With Our Community

cont'd

- (10) On 5 November 2010, together with Rejimen Pakar Pengendalian Air Ke-60 RAJD (AW), we reached out by supplying clean, potable water to flood victims in Kedah and Perlis.
- (11) On 8 November 2010, together with Rejimen Pakar Pengendalian Air Ke-60 RAJD (AW), we again reached out to provide clean, potable water to flood victims in Kedah and Perlis.
- (12) SYABAS hosted visits by various water agencies, universities and government agencies, both local and overseas at SYABAS' Headquarters and PUSPEL, as detailed in the "Delivering Service Excellence" section on page 103 of this Annual Report.
- (13) PNSB also hosted technical visits by various water agencies and government agencies, both local and overseas at PNSB's Headquarters, Dams and WTPs, as follows:-

No.	Visitors	Date
1	Ministry of Industry, Mine & Energy, Cambodia	17 February 2010 to 21 February 2010
2	<i>Jabatan Perhubungan Perusahaan</i>	6 October 2010
3	K-Water Institute, Korea	26 October 2010 to 27 October 2010
4	Professional Engineers from Fiji, Nepal, Sri Lanka, Maldives, Philippines, Egypt, Mauritius, Jordan, Bhutan, Zambia, Myanmar, Laos, Uganda and the <i>Institusi Tadbiran Awam Negara</i>	28 October 2010

- (14) We organized 50 CR Programmes throughout the Ramadhan period in 2010 in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.
- (15) We celebrated the major festivals in Malaysia with the less fortunate including giving them donations as mentioned above.
- (16) SYABAS assisted in solving the water woes at Sekolah Rendah Jenis Tamil, Ladang Escot Hulu Bernam on 3 May 2010.



Reaching out to supply clean, potable water to flood victims in Kedah and Perlis



Corporate Events

14 JAN 2010

Launching Ceremony of follow@puspel on Twitter and Facebook

27 JAN 2010

SYABAS' Briefing Session with Resident Representative and member of Kajang City Council

4 FEB 2010

Visit to SYABAS Customer Service Counter by the National Customer Service Centre and Public Complaints Bureau

17-21 FEB 2010

Official visit by the Ministry of Industry, Mine & Energy, Cambodia to PNSB's Headquarters and WTPs

11 MAR 2010

Meet & Greet Session with SYABAS and Consumer Awareness Programme at the National Heart Institute (IJN)

20 MAR 2010

PEKA Charity Golf Championship 2010 held at Nilai Spring & Country Resort, Negeri Sembilan

22 MAR 2010

SYABAS' & PNSB's World Water Day 2010 celebration

23 MAR 2010

Closing Ceremony of the Annual Training of Rejimen Pakar Pengendalian Air Ke-60 RAJD (AW)



12 APR



27 APR



5 APR



27 APR

5 APR 2010

PNHB supported MALAM Puisi Korporat Prihatin 1Malaysia

7 APR 2010

Malaysian Water Association (MWA) Dinner in conjunction with 6th Asia Water Conference and Exhibition 2010

12 APR 2010

Visit by Mayor of Suzhou Office, Xiang Cheng District, China

27 APR 2010

Launch of 24th River Rescue Brigade with YABhg Datin Paduka Seri Rosmah Mansor



5 JUN

26 MAY 2010

Site visit and briefing at Emery Oleochemicals (M) Sdn Bhd

5 JUN 2010

PNSB/SYABAS activity with BPS members and the media in conjunction with World Environment Day 2010

8 JUN 2010

Site Visit by SPAN and the Prime Minister's Office (JPM) to Taman Cheras Utama regarding water issues within the area



23 MAR



14 JAN



22 MAR



17 FEB

Corporate Events

cont'd



23 JUL



16 JUN



23 JUN

16 JUN 2010

PNHB Group's Executive Chairman, YBhg Tan Sri Rozali Ismail was awarded the 'Anugerah Usahawan Bumiputra 2010: Anugerah Perdana (Kepimpinan)'

18 JUN 2010

Meet and Greet Session with SYABAS at Klang Municipal Council (MPK)

20 JUN 2010

PNHB Group's Executive Chairman, YBhg Tan Sri Rozali Ismail was awarded the SMI & SME Top Achiever of the Year 2009 Award

23 JUN 2010

PNHB's 13th Annual General Meeting and Extraordinary General Meeting held at Concorde Hotel Shah Alam



10 JUL

10 JUL 2010

Presentation of Insurance Compensation to the beneficiaries of SYABAS' staff at Hulu Langat District

23 JUL 2010

Visit by Regulatory Body for Drinking Water, Khusus District, Jakarta Indonesia to SYABAS

27 JUL 2010

"Turun Ke Padang" Programme with SYABAS, SPAN and SUHAKAM

28 AUG 2010

Buka Puasa Event and the presentation of contribution from DYMM Sultan Selangor with participation by PNH Group

6 SEPT 2010

Free Water Programme for the needy (Indian Community) at Kuala Selangor

7 OCT 2010

Free Water Programme for the needy (Chinese Community) at Hulu Selangor

22 OCT 2010

The Official Launch of Tabung Budi

23 OCT 2010

Awareness Campaign organized by the Water Quality Department of SYABAS

2 NOV 2010

The Official Launch of SYABAS' Operation Command Center (OCC)



22 OCT



23 OCT



9 NOV

7 NOV 2010

PNHB supported the Islamic Fashion Festival 2010

9 NOV 2010

PNSB was the main sponsor for Kejohanan Puncak Piala Emas Raja-Raja Ke 70

13 DEC 2010

Dialogue session with the residents of Taman Pangsapuri PKNS and Senator, YB Dato' Murugiah a/l Thopasamy, Deputy Minister at the Prime Minister's Office

28 DEC 2010

Meet and Greet session with the Selangor Media, Sinar Harian and Cakna Squad



2 NOV

Preserving Our Environment

Understanding that water quality and the environment have an inextricable relationship, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") takes its corporate environmental responsibility for the protection, conservation and enhancement of the natural environment very seriously. SYABAS has taken active steps to promote the protection and conservation of our water resources and to improve the river water quality throughout 2010, supplementing the other water resources protection and conservation initiatives undertaken by government agencies.

One of SYABAS' most tangible commitments to the sustainability of water resources in Selangor is its Environmental Surveillance Section ("ESS"), a division fully responsible for monitoring issues relating to the environment within the six water catchment areas in Selangor.

Since the inception of ESS, SYABAS has developed water resources surveillance programmes through its Sanitary Surveys, its Water Quality Index ("WQI") Programme, Environmental Impact Studies and investigations of raw water quality violations. These programmes provide close and effective monitoring of the water catchment areas, with special focuses on:

- Preservation and/or improvement to raw water quality
- Identifying and monitoring potential pollution sources and activities
- Making appropriate recommendations to stakeholder groups, including water operators, government departments, government agencies and civil society

In 2010, based on its periodic and continuous surveillance and monitoring of the water catchment areas, SYABAS identified various pollution sources, namely:

- Illegal sand mining
- Industrial activities that directly or indirectly discharge untreated waste into the rivers
- Illegal solid waste dumping
- Effluence from landfills
- Land clearing
- Animal husbandry activities

All these activities contribute to water resources pollution, thereby affecting water treatment and supply.

SYABAS has highlighted these concerns to the authorities, and is working closely with the Department of Environment (Jabatan Alam Sekitar) ("DOE" or "JAS") Selangor and Selangor Water Management Authority (Lembaga Urus Air Selangor) ("LUAS") and other relevant authorities at state and federal levels to prevent pollution. Through these relationships, SYABAS supports the enforcement agencies to mitigate incidences of pollution, and to ensure environmental care.

SYABAS is also a member of various Selangor State Government committees, namely:

- Jawatankuasa Tetap Alam Sekitar Negeri Selangor
- Jawatankuasa Tetap Infrastruktur dan Kemudahan Awam Negeri Selangor
- Jawatankuasa Pengurusan Lembangan Sungai Negeri Selangor
- Pasukan Petugas Lembangan Sungai Selangor
- Pasukan Petugas Lembangan Sungai Langat
- Pasukan Petugas Lembangan Sungai Klang



▲ Water quality monitoring by our employees

Preserving Our Environment

cont'd

RAW WATER QUALITY

Raw Water Quality Violations

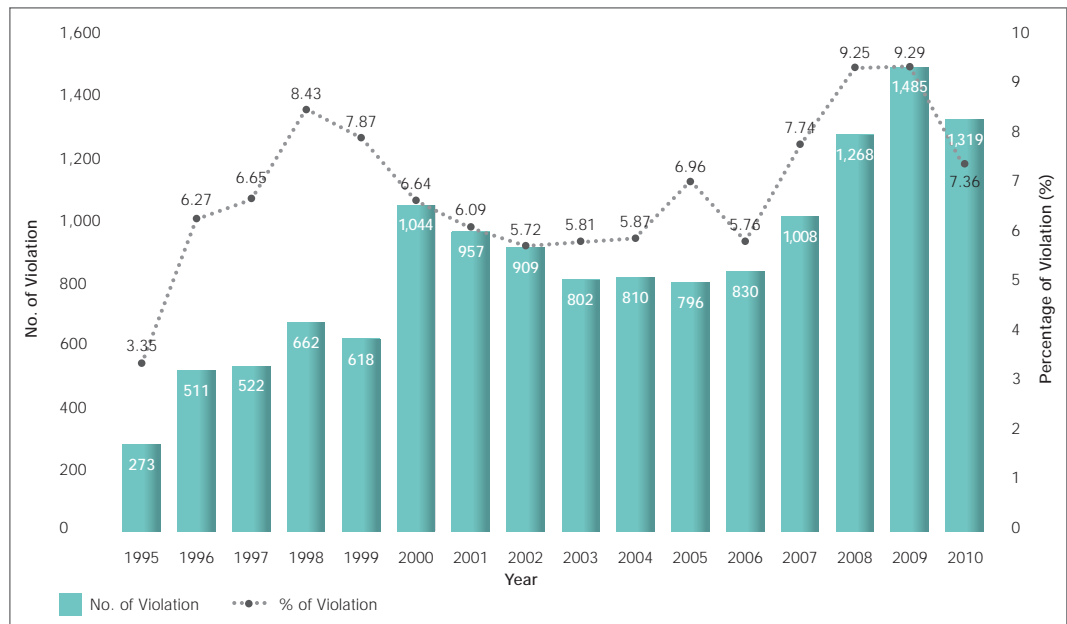
To determine pollutant levels in raw water sources, we monitored raw water quality violations at 31 water intakes located within six water catchment areas. For the 27 water intakes operated by Puncak Niaga (M) Sdn Bhd ("PNSB"), the water quality data is compiled based on the monthly Water Quality Reports.

The raw water quality is monitored according to the parameters set out under the Recommended Raw Water Quality Limit of the Ministry of Health's ("MOH") National Standard for Drinking Water Quality (2004) ("NSDWQ") the parameters being categorized into:

1. Microbiological
2. Group I (Physical)
3. Group II (Inorganic matter)
4. Group III (Heavy metals)
5. Group IV (Pesticides)
6. Group V (Radioactivity)

The total number and percentages of raw water quality violations at all six water catchments from 1995 to 2010 are as below:

Understanding that water quality and the environment have an inextricable relationship, Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS") takes its corporate environmental responsibility for the protection, conservation and enhancement of the natural environment very seriously.



Total number of raw water quality violations at all six water catchments (1995 to 2010)

Actiflo clarification system
at SSP2 WTP



In 2010, the number of violations decreased to 1,319 from 1,485 in 2009 as fewer violations were reported for the following parameters:

1. Total coliform
2. Turbidity
3. BOD₅
4. Ammonia
5. Total Dissolved Solids ("TDS")
6. Manganese
7. Lead
8. Cadmium

More violations were recorded for colour, pH, chemical oxygen demand ("COD"), nitrate, iron, silver and selenium in 2010, compared to 2009.

The breakdown of the violated parameters in 2009 and 2010 is as shown below:

Parameter	Total Raw Water Quality Violations Recorded	
	2009	2010
Microbiological	780	556
Group I – Physical	456	511
Group II – Inorganic matter	243	240
Group III – Heavy metals	6	11
Group IV – Pesticides	0	0
Group V – Radioactivity	0	1
Total	1,485	1,319

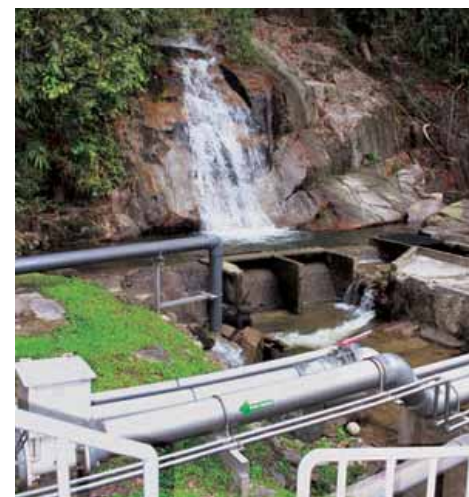
Total Raw Water Quality Violations recorded in 2009 and 2010.

Based on the raw water quality monitoring, it was found that most violations occurred in Sg Langat, Sg Selangor, Sg Bernam and Sg Tenggi basins.

Catchment Area	Total Water Treatment Plants ("WTPs")	Total Raw Water Quality Violations Recorded	
		2009	2010
1. Sg Langat	7	513	511
2. Sg Selangor	6	399	326
3. Sg Bernam	4	291	217
4. Sg Klang	6	101	43
5. Sg Buluh	2	27	28
6. Sg Tenggi	2	154	194
Total	* 27	1,485	1,319

* Excluding Sg Kroh and Sg Pusu WTPs

Distribution of Raw Water Quality Violations Recorded per Catchment Area in 2009 and 2010 for PNSB's WTPs (excluding Sg Kroh & Sg Pusu WTPs)



Raw water intake for Sg Rumput WTP

Preserving Our Environment

cont'd

Raw water pollution is one of the leading causes of Water Treatment Plant ("WTP") shutdowns and water supply interruptions. When such incidences occur, an environmental investigation is conducted to identify the source of raw water pollution.

As soon as the source is identified, authorities such as the National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara) ("SPAN"), JAS Selangor and LUAS will be informed for further action. Following this, full investigation reports are forwarded to these authorities and other government agencies such as the Ministry of Energy, Green Technology and Water (Kementerian Tenaga, Teknologi Hijau dan Air) ("KeTTHA"), the Selangor State Government and the respective municipal councils.

Cooperation from these authorities is necessary for action to be taken against the perpetrators of the pollution. Recommendations and solutions are also put forward to ensure that such incidences of pollution will not occur again.

In 2010, a total of six incidences of pollution occurred where WTPs were shut down, in addition to four incidences of water supply interruptions. These plant shutdowns caused a cumulative loss of approximately 1,395.83 hours of production time and an estimated revenue loss of RM105,257.21. The details of these incidences are as follows:-

Date	WTP	Shutdown Hours	Type of Pollution	Probable source of pollution
01/01/2010 (since 14/12/2009)	Salak Tinggi	534.50	Odour and high ammonia content	Suspected effluent discharge from upstream industrial area
20/01/2010	Kuala Kubu Bharu	10.50	High turbidity	Land erosion due to heavy rainfall
05/02/2010	Sg Buaya	5.25	High turbidity	Suspected runoff from plantation area after heavy rainfall
09/02/2010	Salak Tinggi	811.75	Odour and high ammonia content	Combined discharge from Nilai Industrial Park and domestic activities, exacerbated by low flow in Sg Labu during the dry period
26/03/2010	Sg Selisik	19.50	Odour and discolouration	Accidental palm oil effluent discharge from KL-Kepong Bhd due to bund failure of a retention pond
07/09/2010	Sg Semenyih	14.33	High ammonia content	Effluent discharge from Sg Kembong landfill due to bund failure of a retention pond



Water quality sampling and testing being conducted

Record of Plant Shutdown Incidences due to Raw Water Pollution in 2010

Date	WTP	Shutdown Hours	Type of Pollution	Probable source of pollution
23/07/2010	Wangsa Maju	-	Sudden increase of raw water turbidity	Discharge from sand mining area near Sg Salak, tributary of Sg Gombak
01/08/2010	Sg Langat	-	Sudden increase of raw water turbidity	Discharge from sand mining area near Sg Sub, tributary of Sg Langat
08/11/2010 09/11/2010 12/11/2010	SSP2	-	High fluoride in raw water	Suspected effluent discharge from upstream industrial areas
18/12/2010	SSP2	-	Treated water fluoride violations	High levels of fluoride in raw water

Record of Water Supply Interruptions due to Raw Water Pollution in 2010

Our operational performance improved in 2010, compared to that of 2009, during which 21 cases occurred where plants were shut down, causing a total loss of 5,822.50 hours of production time and RM756,880.00 loss in revenue.

Sanitary Surveys

The sanitary survey is a programme to evaluate the risk of potential raw water pollution resulting from human activities within our six catchment areas. This programme is also important as it helps assess the effectiveness and efficiency of the processes at the WTPs, water quality tests done for early detection of environmental pollution and raw water sources and treated water quality in the distribution system.

In 2010, nine sanitary surveys were jointly conducted with the MOH and WTP operators at nine WTPs. Based on the results of these surveys, several human activities that might cause raw water pollution were identified. These were:

- Industrial manufacturing
- Land clearing activities
- Illegal sand mining
- Open landfills
- Illegal solid waste dumpsites with no leachate treatment facilities
- Partially or inadequately treated sewerage discharge from sewerage treatment plants (STPs)
- Animal farms/abattoirs

Such surveys help identify potential problem areas, and also provide a general idea about the sources of contamination or plant shutdown during the occurrences of pollution.

The findings of these surveys together with recommendations are highlighted to the relevant agencies and authorities to mitigate pollution incidents and to manage environmental risk before the operation of any WTP and the water supply are jeopardised.

Environmental Impact Study ("EIS")

An EIS was conducted at the six catchment areas for all 31 water intakes throughout the year for pollution risk mapping of the catchment areas. The findings of the EIS have been highlighted to the relevant authorities and agencies with recommendations and solutions to ensure that identified pollution risks would not result in raw water quality deterioration and jeopardise water supply.

In 2010, nine sanitary surveys were jointly conducted with the MOH and WTP operators at nine WTPs.

Preserving Our Environment

cont'd

TREATED WATER QUALITY

Water Quality Index Programme ("WQI Programme")

Through the WQI Programme, we determine the cleanliness and suitability of the water for water supply. These monthly assessments are carried out at the intake stations for our 27 WTPs (excluding Sg Kroh and Sg Pusu WTPs).

The WQI is calculated based on these six parameters:

1. Dissolved Oxygen ("DO")
2. Biological Oxygen Demand ("BOD₅")
3. Chemical Oxygen Demand ("COD")
4. Ammonia
5. Total Suspended Solids ("TSS")
6. pH

The WQI Classification according to the Department of Environment ("DOE") Malaysia is as follows:-

WQI Class	Range	Water Usage Description
I	Above 92.7	<ul style="list-style-type: none"> • Water Supply I – Practically no treatment necessary (except disinfection or boiling) • Fishery I – Very sensitive aquatic species
II	76.5 - 92.7	<ul style="list-style-type: none"> • Water Supply II – Conventional treatment required • Fishery II – Sensitive aquatic species
III	51.9 - <76.5	<ul style="list-style-type: none"> • Water Supply III – Extensive treatment required • Fishery III – Common, of economic value and tolerant species
IV	31.0 - <51.9	<ul style="list-style-type: none"> • Irrigation only
V	<31.0	<ul style="list-style-type: none"> • Water unsuitable for any of the above uses

(Source: Department of Environment Malaysia)

Director General of Department of Occupational Safety & Health, YBhg Dato' Ir Dr Johari Basri visiting the exhibition booth during PNSB's Safety and Health Week Campaign launched on 12 January 2010



Preserving Our Environment

cont'd

Of our intake stations at the WTPs, eight were categorized under Class I, 14 under Class II, and the remainder as Class III. The breakdown is as follows:-

WQI Class	No of Intake Stations	WTP
I	8	Kuala Kubu Bharu, Kalumpang, Sg Pangsoon, Sg Lolo (Old) & Sg Lolo (New) (abstracting raw water from the same intake), Sg Serai, Sg Gombak, Ampang Intake, Sg Rumput WTPs
II	14	Bernam River Headworks, North Hummock, Batang Kali, Rantau Panjang, Sg Selisek, Sg Dusun, Sg Tenggi, Sg Buaya, Sg Langat, Bukit Nanas, Sg Batu, Sg Rangkap, Sg Kepong, Wangsa Maju WTPs
III	5	Sg Selangor Phase 2 ("SSP2"), Sg Sireh, Bukit Tampoi, Cheras Mile 11, Salak Tinggi WTPs
IV	0	None
V	0	None
Total	27*	

* Excluding Sg Kroh and Sg Pusu WTPs

We are pleased to report that these statistics indicated a slight improvement to our 2009 classifications, which were: nine as Class I; 13 as Class II; and, six as Class III, as illustrated below.

WQI Class	No. of WTPs	
	2009	2010
I	9	8
II	13	14
III	6	5
IV	0	0
V	0	0
Total	28*	27**

* Excluding Sg Kroh WTP

** Excluding Sg Kroh and Sg Pusu WTPs

The Sg Rangkap and Sg Kepong WTPs stations were categorized as Class I in 2009, but were downgraded to Class II in 2010. At the same time, the Sg Rumput and Sg Gombak WTPs station improved from Class II to Class I during the same period.

Balancing Reservoir Water Quality Monitoring

Routine monitoring of water quality in the balancing reservoirs is conducted by the Water Quality And Research Section ("WQRS") of SYABAS to ensure water supply of high quality. The monitoring is done at different depths of the reservoir, with parameters such as pH, turbidity, colour, levels of aluminium, iron and manganese being tested. The results are used to determine if the reservoirs are in need of cleaning.



▲ Programme "Hargai Alam, Cintai Sungai" with BPS members in conjunction with World Environmental Day 2010

Preserving Our Environment

cont'd

Based on the monitoring conducted in 2010, a total of eight balancing reservoirs were cleaned either manually or using robotic equipment. These reservoirs were:

1. Sg Buaya
2. Kalumpang
3. Sg Tenggi
4. BRH
5. Sg Langat
6. Sg Dusun
7. Sg Lolo (old)
8. Rantau Panjang

Ammonia Level Monitoring

Ammonia Level Monitoring was conducted on an hourly basis at four critical WTPs along the Sg Langat Basin, namely Sg Langat WTP, Cheras Mile 11 WTP, Bukit Tampoi WTP and Salak Tinggi WTP.

Ammonia Level Monitoring was done to ensure that preparations can be made and other necessary action taken in anticipation of a plant shutdown arising from high ammonia levels in raw water.

Based on the monitoring conducted in 2010, ammonia levels in both raw and treated water at the four WTPs were as summarized below:-

No.	WTP	Ammonia level (mg/L)					
		Raw Water			Treated water		
		Min	Max	Average	Min	Max	Average
1.	Sg Langat	0.00	0.80	0.10	0.00	0.30	0.01
2.	Cheras Mile 11	0.00	1.64	0.46	0.00	0.71	0.01
3.	Salak Tinggi	0.00	3.36	1.18	0.00	0.98	0.22
4.	Bukit Tampoi (Old)	0.10	1.49	0.56	0.00	0.92	0.01
	Bukit Tampoi (New)	0.10	1.49	0.56	0.00	0.90	0.01

Note: MOH's standard is 1.50 mg/L for both raw and treated water

Two incidences of excessive ammonia content in raw water caused the Salak Tinggi WTP to shut down operation in 2010. Details are as set out in the Raw Water Quality section of this report.

Ammonia Level Monitoring was conducted on an hourly basis at four critical WTPs along the Sg Langat Basin, namely Sg Langat WTP, Cheras Mile 11 WTP, Bukit Tampoi WTP and Salak Tinggi WTP.

SYABAS' Chief Operating Officer giving a talk on water issue



Filter Performance Monitoring

The filtration process is the final step in the water treatment process, and eliminates fine suspended solids that escaped at the clarification stage. PNSB closely monitors its filtration systems to ensure that all filters are in proper operating condition. Whenever a filter has been operated to a specified number of running hours, or has reached its headloss limit, backwashing is initiated.

Based on the monthly monitoring of the 174 filters operating at our 29 WTPs, the breakdown of filter running hours is as below:

Filter Run Time Per Month (hours)	As At December 2009		As At December 2010	
	No. of filters	%	No. of filters	%
> 60 - 72	80	48.2	78	45.6
> 40 - 60	57	34.3	69	40.4
> 30 - 40	25	15.1	18	10.5
≤ 30	4	2.4	6	3.5
Total*	166	100	171	100

* Some filters were not in operation as they were either under repair or on standby.

There were only six filters with short running hours in 2010. Nevertheless, we constantly seek to improve running hours to achieve a backwashing cycle of 72 hours, or whenever a filter headloss reaches 1.8 metres, whichever occurs first.

Filter running hours have improved tremendously since 2005 due to changes in operational procedures, installation of filter monitoring instrumentation and refurbishment work. In particular, there has been a major enhancement in the filter operations following improvements in the treatment process at the Sg Rangkap, Cheras, Bukit Nanas and Rantau Panjang Old WTPs. In 2010, filter refurbishment work was also carried out at the Ampang Intake, and the North Hummock, Batang Kali, Sg Dusun and Sg Tenggi WTPs.



◀ BPS Programme in conjunction with World Water Day 2010

Preserving Our Environment

cont'd

PUBLIC AWARENESS PROGRAMME ON ENVIRONMENTAL PROTECTION AND CONSERVATION

As part of the Group's Social Environmental Awareness Programme, we have successfully organized and/or participated in environmental awareness campaigns and activities. The following are activities held in 2010 in a bid to highlight the impact of environmental pollution, and the need to preserve and conserve our water resources.

1. Delivering an environmental talk and facilitating a demonstration of river water quality testing with students and the public as part of the River Rescue Brigade ("Briged Penyelamat Sungai") ("BPS") Programme:-
 - a. BPS with Sekolah Kebangsaan Taman Tun Dr Ismail ("TTDI") Scout Camp at Sg Bil Tanjung Malim, 3 July 2010.
 - b. BPS with Residential Association of Bukit Baru Apartment at Klang Gates Dam, 4 December 2010.
2. Setting up and manning environmental exhibition booths as part of the Turun ke Padang ("TKP") Programme:-
 - a. TKP at Sekolah Kebangsaan TTDI Jaya, 28 January 2010.
 - b. TKP at Sekolah Rendah Kebangsaan Tun Abd Aziz Majid, Hulu Langat, 21 July 2010.
3. Delivering an environmental talk during the UNESCO-IHP Malaysia World Water Day 2010 "Youth Leader Camp" event, 4 March 2010.
4. Setting up and manning a World Water Day 2010 exhibition booth at SYABAS' Head Office from 22-27 March 2010.
5. Setting up and manning an exhibition booth for BPS Programme Launching at the Universiti Putra Malaysia, 27 April 2010.
6. Delivering a talk, "Many Species, One Planet, One Future", and facilitating demonstrations of river water quality testing during the World Environmental Day Celebration at Taman Rimba Ampang, 5 June 2010.
7. Participating in Malaysian Environmental NGOs ("MENGO") Exhibition and Green Hunt 2010, 27 June 2010.
8. Setting up and manning an exhibition booth during "Pesta Buku" at Wisma Rozali, PNSB, 13 November 2010.



Turun Ke Padang Programme at Sekolah Kebangsaan TTDI Jaya on 28 January 2010

Preserving Our Environment

cont'd

CONSUMER AWARENESS AND EDUCATION PROGRAMME ("CAE PROGRAMME")

In early 2008, SYABAS initiated a programme exclusively designed to change consumer perceptions of water quality. In a bid to educate consumers, the CAE programme with media coverage included educational events, as well as issuing print and electronic advertisements and infomercials on SYABAS.

The main objective of the programme is to instil consumer confidence in the water quality provided by SYABAS: that it is clean and safe for consumption because of stringent checking and water quality monitoring activities performed by MOH and SYABAS.

The programme also emphasises the role of consumers in enhancing water quality, such as by inspecting and maintaining internal piping systems and internal storage tanks and engaging licensed plumbers to ensure that inspections and cleaning are carried out professionally. It also counters misconceptions about using household water filters, which can sometimes contribute to the deterioration of water quality at the consumers' premises.

In 2010, CAE Programme was carried out on a larger scale than in previous years. Events and campaigns in the form of educational talks, dialogues and exhibitions took place at the headquarters and at district level offices. Demonstrations on quality of water supplied were also carried out at consumers' premises, including residential areas, commercial areas, and organizations such as educational and medical institutions.

In 2010, 15 programmes were undertaken at headquarter level by the SYABAS' Water Quality Department, compared with three events in 2009. At district level, some 185 programmes took place in 2010.

In 2010, CAE Programme was carried out on a larger scale than in previous years.



◀ Consumer Awareness and Education Programme held at Sabak Bernam District Police Headquarters

Preserving Our Environment

cont'd

WASTE MANAGEMENT

Waste generated by our activities are generally residue (from our water treatment facilities), paper waste, and construction waste (from our projects and maintenance programme). Our biggest waste issues arise from the generation of residue from our WTPs.

In 2010, for example,

1. SSP2 WTP produced a total of 445,265 metric tonnes ("MT") of treatment residue as a waste product of its water treatment process. SSP2 spent a total of RM3,816,400.00 to dispose of this residue through proper means.
2. Wangsa Maju WTP produced a total of 74.98 MT of treatment residue as a waste product of its water treatment process. Wangsa Maju WTP also spent a total of RM7,200.00 to dispose of this residue through proper means in the second half of 2010.

WTP Residue Treatment

SSP2 and Wangsa Maju WTPs are equipped with sludge treatment facilities ("STF") to treat the residue. However, the 26 WTPs taken over under the Privatization Cum Concession Agreement dated 22 September 1994 ("PCCA") were not equipped with STF. To comply with DOE's requirements, the construction of STFs was included under SYABAS' CAPEX Programme as provided under the Privatization plan and, in 2009, the construction of 16 STFs was completed. However, suitable landfills identified have still not been approved by the Selangor State Government and we are unable to operate the STFs.

Although, at the planning stage, we identified 13 proposed sites near our WTPs for the Selangor State Government's approval as suitable for development as landfills, and have been diligently pursuing the State Government's decision on this matter, the State Government has informed us that the decision is pending the finalization of the proposed restructuring of the water services industry in Selangor.

DOE has approved our application for special management of scheduled waste for the Bukit Badong Depository Area to be developed for the residues from the SSP2 and Wangsa Maju WTPs. The construction of the depository area is ongoing and is expected to be completed by year 2011.

Reducing Paper Usage

In 2010, PNSB's paper usage increased by 33.3% as compared to 2009. This increase was attributed to the increase in the Company's tender submissions and the increased in staff recruitment. Owing to a rise in consumer accounts and the large number of CAE Programmes conducted by SYABAS during 2010, paper usage at SYABAS also increased by 18.8% as compared to 2009.

In 2011, the Group will continue to intensify its efforts to reduce paper usage by promoting paper recycling, the dissemination of documents via email, etc.



▲
Salak Tinggi Plant shutdown
due to blackish water
and high ammonia level

Reducing Construction Waste

SYABAS requires all its contractors to clean up waste generated from maintenance activities. These contractors are monitored frequently. Further information is provided in the section entitled Managing Our Suppliers And Contractors under Valuing Our People section on pages 123 to 125 of this Annual Report.

USE OF RESOURCES

Raw Water Drawn for Treatment

The following table summarizes the amount of raw water drawn from the various rivers for treatment at PNSB's WTPs in 2010 before distribution:-

Source	Volume Withdrawn (m ³)
Sg Bernam	10,687,310
Sg Batang Kali	4,155,650
Sg Dusun	404,414
Sg Inki	2,284,940
Sg Tenggi	686,370
Sg Gerachi	1,806,680
Sg Darah	170,070
Sg Selangor	367,377,893
Sg Gombak	26,707,207
Sg Ampang	6,960,253
Sg Rangkap	3,911,735
Sg Kepong	773,395
Sg Rumput	285,045
Sg Langat	212,437,706
Sg Serai	410,244
Sg Lolo	1,265,322
Sg Pangsoo	1,402,091
Sg Labu	1,030,130
Sg Sireh	9,405,039
Tasik Subang Dam	4,558,100
Batu Dam	32,490,500
Klang Gates Dam	48,079,603
Total	737,289,697

Climate changes make weather patterns harder to predict, making it more important than ever to continuously plan and monitor the flow and volume of water in the rivers from which we obtain raw water so as to ensure optimisation of raw water abstraction from the rivers.



◀ Wangsa Maju WTP aerator

Preserving Our Environment

cont'd

Water Utilization

Water is used for cleaning and maintenance works such as WTP filters backwashing, reservoir and storage tank cleaning, cleaning of pipelines, and flushing.

We constantly endeavour to find new ways to further reduce water usage. Already, we have cut plant water losses by adopting wash water recovery and by increasing the filter backwash cycle to 72 hours. In addition, to clean the pipelines, SYABAS now uses air scouring technology instead of conventional flushing since 2007 which resulted in less water usage in cleaning the pipelines. In 2010, operational water usage at SYABAS decreased by 13.2% compared to figures reported in 2009.

Reducing water losses makes for more effective utilization of precious water resources. Between 2005, when it started operations, and 31 December 2010, SYABAS has managed to reduce water losses from 42.78% in 2005 to 32.45% in 2010, a reduction of about 10.33%. This has resulted in a saving of about 258 MLD of water in physical losses.

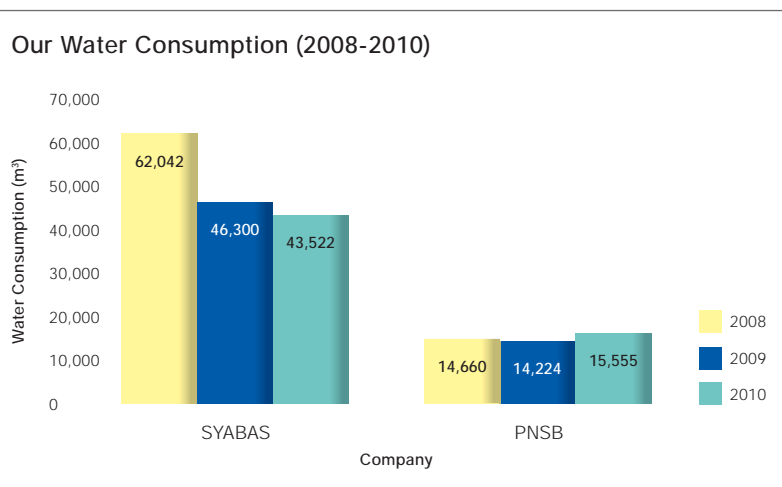
SYABAS water consumption across all its offices saw a 6.0% decrease in 2010 (43,522 m³) compared to the previous figure of 46,300 m³ in 2009.

In 2010, water usage at PNSB increased by 9.4% (15,555 m³) compared to the usage amount of 14,224 m³ in 2009.

In spite of the increase in water consumption at PNSB, the overall water consumption of the Group saw a reduction of 2.4% which is lower than the amount of reduction achieved in 2009 which was 21.1%.



Bottled water sponsored by SYABAS for flood victims in Kedah and Perlis



The Group also provides technical advice to the authorities on rainwater harvesting, and in 2010 presented various technical papers on environmental issues and its protection.

Electricity Consumption

The water industry is electricity-intensive. At PNSB, the WTPs' pumping systems account for the highest electricity consumption, while SYABAS requires electricity to drive its 498 pumping stations.

The Group's electricity consumption in 2010 is as set out below:-

- At Wisma Rozali (headquarters), electricity consumption was successfully reduced by 7.4% from 2009 to 2010.
- At the WTPs, electricity consumption declined by 0.95% from 2009 to 2010. The decrease resulted from a 0.9% reduction in the volume of water produced.
- At SYABAS, further measures were taken and continue to be taken to reduce electricity usage at booster pumping stations and office buildings.

Although our electricity optimization programme is ongoing at the WTPs, only relatively small reductions in electricity consumption are possible as the WTPs are already operating at optimal efficiency in terms of electricity consumption.

Energy Efficiency Initiatives

However, in order to make savings wherever possible, in 2010, PNSB conducted a de-lamping exercise at SSP2 WTP, where 24 floodlights at Filtration Plant "C" and "D" were removed. Estimated savings per year off the electricity bill come to about RM8,256.30. Similarly, SSP2 WTP also refurbished three of its raw water pump to increase the pump performance resulting in an estimated annual energy cost saving of about RM112,396.42. Sg Sireh WTP also refurbished four of its water pumps, which translated into an increase in efficiency of approximately 10%.

Use of Raw Materials

We are also pleased to report that PNSB utilized a total of 42,532.262 MT of chemicals in the water production process in 2010.

As at 31 December 2010, total production of water at all 29 WTPs was 692,186,134 m³ and about 0.061446 kg of chemicals were required to treat 1 m³ of water.

Carbon Emissions

The first time we reported our Carbon Emissions based on the Green House Gas ("GHG") Protocol was in 2009.

While we adhere to the principles as promulgated in the ISO 14064 guidelines for greenhouse gas emissions quantification and the World Resources Institute Greenhouse Gas ("GHG") protocol, we are only able to record our carbon emissions arising from our electricity consumption in this report.

Based on our electricity consumption, the breakdown of our estimated carbon emissions for 2010 is:-

- Wisma Rozali – 1,250 MT of CO₂-eq
- WTPs – 158,260 MT of CO₂-eq
- SYABAS – 101,944 MT of CO₂-eq

3 litres



Water Saving Tips



Fitting a water saving device in your cistern helps save 3 litres of water per flush.

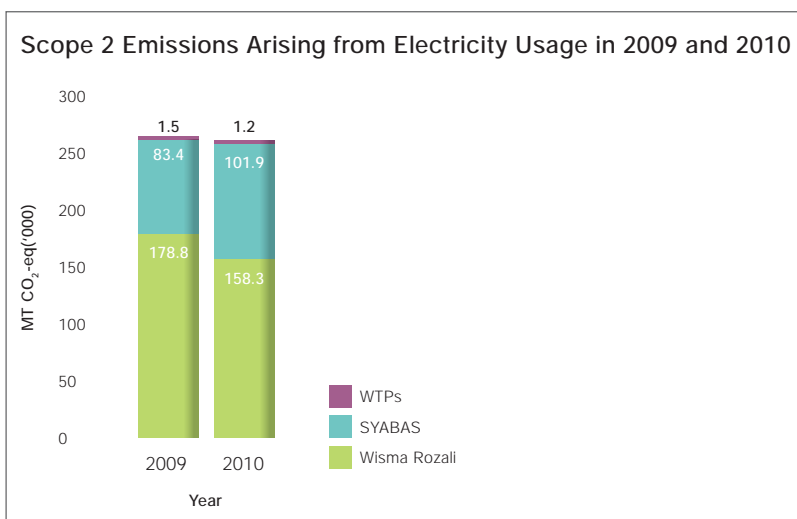
Preserving Our Environment

cont'd

Comparing previous reported emissions in 2009 which arose from electricity usage, Scope 2's estimated carbon emission had declined by 0.9% in 2010.

Locations	2009 MT CO ₂ -eq	2010 MT CO ₂ -eq
Wisma Rozali	1,501.00	1,249.52
WTPs	178,802.00	158,260.07
SYABAS	83,395.00	101,943.70
Total	263,698.00	261,453.30

Total Scope 2 Carbon Emission in 2009 and 2010



We are pleased to report that we have this year expanded our reporting for carbon emissions to include estimates for Scope 1 and Scope 3 emissions.

Scope 1 emissions include CO₂ and other GHG emissions arising from direct fuel combustion of the vehicles, equipment and operations of the business. Scope 2 emissions consist of CO₂ and GHG emissions from the usage of electricity in company operations. Scope 3 emissions are indirect emissions arising from activities such as air flight on company business, contractor-owned vehicles and staff-owned vehicles.

Year	MT CO ₂ - eq		
	Scope 1	Scope 2	Scope 3
2009	–	263,698*	–
2010	1,199	261,454	3,673

The data presented above does not represent the total GHG emissions arising from all of our operations. Scope 1 only included the amount of fuel used to operate company owned equipment and does not include fuel used for company owned vehicles. Scope 2 data covered electricity usage at Wisma Rozali, SYABAS and WTPs whereas Scope 3 only consisted of air travel data for PNSB and contractor owned vehicles operating under SYABAS and PNSB.



Programme Turun Ke Padang
- Sekolah Kebangsaan Puchong Jaya

Accountability

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Corporate Disclosure Policy

As a responsible corporate citizen, Puncak Niaga is totally committed to upholding the highest standards of transparency, accountability and integrity in the disclosure of all material information on the Company to the investing public in an accurate, clear, complete and timely manner in accordance with the corporate disclosure requirements as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The primary objectives of Puncak Niaga’s Corporate Disclosure Policy are:-

1. To promote and maintain market integrity and investor confidence.
2. To provide equal access to the Company’s material information in an accurate, clear, timely and complete manner and to avoid selective disclosure to the investing public.
3. To exercise due diligence such that information disseminated to the investing public will be as far as possible accurate, clear, timely and complete.
4. To put in place an efficient management of information procedure that promotes accountability for the dissemination of material information to the investing public.
5. To build good investor relations with the investing public based on the principles of trust, honesty, openness, transparency and sound understanding of the Company.

To achieve its objectives, the Company will endeavour to undertake the following:-

1. ESTABLISH POLICIES AND PROCEDURES

- Ensure written policies and procedures of the Company (“Puncak Niaga’s Corporate Disclosure Policy and Procedure”) that encompass the Corporate Disclosure Policy and other requirements relating to corporate disclosure as set out in the Main Market Listing Requirements of Bursa Securities.
- Appoint a senior officer of the Company to oversee and coordinate disclosures to ensure the Company complies with the Main Market Listing Requirements of Bursa Securities.
- Ensure that only designated persons are the Company’s spokespersons.
- Ensure due compliance with Puncak Niaga’s Corporate Disclosure Policy And Procedure.

2. EXERCISE DUE DILIGENCE AND PREPARATION

- Ensure that the persons responsible for disseminating material information to the investing public, exercise due diligence in ensuring that information to be released is accurate, clear, timely and complete.
- Ensure that due care is observed when briefing and responding to analysts, institutional investors, the media and the investing public.

3. USE OF INFORMATION TECHNOLOGY

- Take advantage of current information technology to disseminate information to the investing public.

Our commitment to the above Policy is driven by the Board of Directors of the PNHB Group and implemented by the Management.

Statement On Corporate Governance

COMPLIANCE STATEMENT

The Board of Puncak Niaga is pleased to state that Puncak Niaga is in compliance with the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance (Revised 2007) ("Code") and has subscribed and remain firmly committed to the principles of good corporate governance as set out in Part 1 of the Code to strive for highest standards of corporate governance within the Group. The Group believes that the principles of good corporate governance are integral to Puncak Niaga's growth and ability to promote the confidence of its stakeholders and enhancing long-term shareholders value through improving corporate performance and accountability of Puncak Niaga whilst taking into account the interest of all stakeholders. The Board is therefore committed to ensure that the Principles and Best Practices of Corporate Governance are applied throughout Puncak Niaga Group in the best interests of all stakeholders.

Since 2003, the Board has adopted a Board Charter, which provides guidance on how business is to be conducted in line with international best practices and standards of good corporate governance. In 2004, the Board has also adopted a Corporate Disclosure Policy and Procedure, which was formulated in line with the 'Guide On Best Practices In Corporate Disclosure' issued by the Task Force on Corporate Disclosure Best Practices established by Bursa Malaysia Securities Berhad ("Bursa Securities"). From time to time, the Group continues to monitor, refine and revamp its financial objectives, goals, policies and procedures, controls and risk management framework to meet the evolving corporate environment.

The Company's governance framework enables the Board to provide strategic guidance and effective oversight of management, clarifies the roles and responsibilities of the Board and Management and ensure a balance of authority.

The Board of Puncak Niaga is therefore pleased to report on how the Group has subscribed and applied the principles as set out in Part 1 of the Code and the Best Practices in Corporate Governance as set out in Part 2 of the Code and the extent to which it has complied with the Best Practices during the year 2010.

BOARD OF DIRECTORS

(a) THE BOARD

The Group is helmed by an effective and experienced Board, comprising individuals of caliber and credibility with necessary skills and experience from a diverse blend of professional backgrounds. With the adoption of the Board Charter, the Board members, whether acting in their individual capacities or as a whole, share the common objective of ensuring that the Vision and Mission of the Company as set out in this Annual Report, are achieved and the Group meets its responsibilities to its stakeholders.

Each Board member is fully aware of the fiduciary duties and responsibilities and the various legislations and regulations affecting his conduct as Director of the Company, and as such, takes full responsibility for the performance of the Company and of the Group.

Statement On Corporate Governance

cont'd

The role of the Executive Chairman is separate from that of the Managing Director. The Board Charter sets out the specific responsibilities to be discharged by the Board members collectively and the individual roles expected from the Executive Chairman, Managing Director, Executive Directors and Non-Executive Directors.

YBhg Tan Sri Dato' Seri Dr Ting Chew Peh is the Company's Senior Independent Non-Executive Director, to whom shareholders' concerns may be conveyed. His profile is set out on page 35 of this Annual Report.

(b) BOARD COMPOSITION

For compliances with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities and the Code, the Company, through the Nomination Committee of the Company, annually reviewed the required mix of skills, experience and competencies and other qualities of the Board of the Company.

The Board of Puncak Niaga comprises ten (10) Members, of whom four (4) are Executive Directors and six (6) are Non-Executive Directors. YBhg Dato' Hashim Mahfar and Mr Ng Wah Tar were appointed as the Managing Director and Executive Director, Finance Division of Puncak Niaga Holdings Berhad and Puncak Niaga (M) Sdn Bhd on 1 January 2010, respectively. The current composition of the Board of Puncak Niaga is in compliance with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities with one-third of the Board being independent and of which the Company feels is a balanced Board and appropriate to constitute an effective Board.

The three (3) Independent Non-Executive Directors of the Company fulfil the criteria of independence as set out in the definition of "Independent Director" under Paragraph 1.01 (Definitions) of the Main Market Listing Requirements of Bursa Securities.

The Independent Non-Executive Directors are persons of caliber and credibility and exercise independent and sound judgement and act in the best interests of the Company and its shareholders, in particular the minority shareholders since they do not engage in the day-to-day management of the Company and do not participate in any business dealings and are not involved in any other relationship with the Company to ensure that they discharge their duties and responsibilities effectively, void of conflict of interests situations. The Independent Non-Executive Directors provide the relevant checks and balances and ensuring that high standards of corporate governance are sustained.

The composition of the Board brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge the Board's responsibilities for competent stewardship of the Group. Together, the Board spearheads the Group's growth and future direction.

The profile of the Board Members are set out on pages 28 to 38 of this Annual Report.

None of the Directors has any convictions for any offences within the past ten (10) years (other than traffic offences, if any) or has any conflict of interest with the Company or has any family relationship with any Director and/or major shareholder of the Company.

Statement On Corporate Governance

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(c) BOARD MEETINGS

The Board met five (5) times in 2010, all at the Board Room on 12th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan, details of which are as follows:-

Day	Date	Time
Wednesday	24 February 2010	12.35 p.m.
Monday	26 April 2010	12.30 p.m.
Wednesday	26 May 2010	11.30 a.m.
Thursday	26 August 2010	11.30 a.m.
Thursday	25 November 2010	12.00 noon

The details of the respective Director's attendance at the above Board Meetings are as follows:-

Name of Director	Designation	No. of Meetings attended	%
Tan Sri Rozali Ismail	Executive Chairman	5 out of 5	100
Dato' Hashim Mahfar (appointed on 01/01/2010)	Managing Director	5 out of 5	100
Dato' Ruslan Hassan	Non-Independent Non-Executive Director	5 out of 5	100
Dato' Ir Lee Miang Koi	Non-Independent Non-Executive Director	4 out of 5	80
Tan Sri Dato' Hari Narayanan Govindasamy	Independent Non-Executive Director	4 out of 5	80
Tan Sri Dato' Seri Dr Ting Chew Peh	Independent Non-Executive Director	5 out of 5	100
Dato' Syed Danial Syed Ariffin	Chief Operating Officer	5 out of 5	100
Tengku Dato' Rahimah Almarhum Sultan Mahmud	Non-Independent Non-Executive Director	4 out of 5	80
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	Independent Non-Executive Director	5 out of 5	100
Ng Wah Tar (appointed on 01/01/2010)	Executive Director, Corporate Finance	5 out of 5	100

Board meetings are scheduled to be held regularly, at least five times in a financial year with sufficient notice for all Board Meetings of issues to be discussed. The dates for Board Meetings for the ensuing financial year are scheduled well in advance and the Board has formal schedule of matters specifically reserved for the Board's discussion and/or approval. All issues discussed and all decisions made during the Board Meetings will be properly recorded by the Company Secretaries and reviewed by the Board for completeness and accuracy.

Additional Board Meetings may be called as and when significant issues arise and which require the Board's decision.

Statement On Corporate Governance

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In between Board Meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation and confirmation at the next Board Meeting.

(d) DIRECTORS' CODE OF ETHICS

The Directors continue to observe a code of ethics based on the code of conduct expected of Directors of companies as set out in the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

(e) SUPPLY OF INFORMATION AND ACCESS TO ADVICE

The Directors are familiar and aware of their duties and responsibilities as well as the implementation of good corporate governance and compliance practices in the Group.

Each Board member is supplied with full, adequate, unrestricted and quality information on a timely basis to enable them to effectively discharge their duties and responsibilities. Except under exceptional circumstances, Board members are given at least seven days' notice before any Board Meeting is held and the comprehensive Board papers are circulated to the Board members at least two (2) working days prior to the date of the Meeting to facilitate the Directors to peruse the Board papers and to review the issues to be deliberated at the Board Meeting well ahead of the meeting date. Where necessary, the Company's personnel will be called upon by the Board during the Board Meetings to present and to clarify any Board papers presented.

All Board members are expected to participate actively in Board deliberations and to bring the benefit of their particular knowledge, skills and abilities to the Board. Where a potential conflict with his duties or of interests as Director arises, it is mandatory for the Director concerned to declare the fact and nature of his interests and extent of the conflict at a Board Meeting and abstain from the deliberation and decision-making process. In the event the proposal requires shareholders' approval, the interested Board members will abstain from voting on the resolution at the General Meeting and will ensure that persons connected to them also abstain from voting on the proposal.

The Company Secretaries organise and attend all Board Meetings and ensure that all issues discussed with the conclusions are minuted accurately in the minutes of each meeting and that all records are kept properly at the registered office of the Company.

The Board is regularly updated and kept informed by the Company Secretaries and the Management of the requirements such as restriction in dealing with the securities of the Company and updates as issued by the various regulatory authorities including the latest developments in the legislations and regulatory framework affecting the Group. The Board has unrestricted and constant access to and interaction with the Senior Management of the Company. Each Board member also has full access to the advice and services of the full time Company Secretaries.

Where necessary, the Directors may, whether collectively as a Board or in their individual capacities, seek external and independent professional advice from experts on any matter in furtherance of their duties as they may deem necessary and appropriate at the Company's expense.

Statement On Corporate Governance

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(f) COMPANY SECRETARIES

The Company Secretaries ensure that Board procedures are both followed and reviewed regularly and have the responsibilities in law to ensure that each Board member is made aware of and provided with guidance as to their duties, responsibilities and powers. They are also responsible for ensuring the Group's compliance with the relevant statutory and regulatory requirements.

(g) APPOINTMENT OF DIRECTORS

All Board appointments and removals (if any) thereof are approved by the Board upon the recommendation of the Nomination Committee. The Board, through the Nomination Committee, has established a formal and transparent procedure in relation to the assessment of candidates for Board appointments as well as for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director, including the Independent Non-Executive Directors and the Managing Director. The Board, through the Nomination Committee, also reviews the required mix of skills, experience and other qualities of the Directors annually to ensure that the Board continues to function effectively and efficiently. During the financial year under review, there were two appointments to the Board.

(h) EVALUATION OF BOARD EFFECTIVENESS

As in the previous years, the Board has, with the assistance of the Company Secretaries, conducted an annual peer evaluation of the Board's effectiveness in the following key areas:-

- (i) Compliance;
- (ii) Board Meetings;
- (iii) Board Functions;
- (iv) Board Structure;
- (v) Board Committees;
- (vi) Board Operations;
- (vii) Board Chairman's Roles and Responsibilities;
- (viii) Financial and Operational Reporting;
- (ix) Planning and Objectives;
- (x) Risk Assessment;
- (xi) New Business Opportunities and Projects;
- (xii) Human Resources; and
- (xiii) Directors' Observations and Additional Comments.

The 2010 performance evaluation of the Board has been structured to ensure a balanced and objective review by the Directors for the above key areas.

Following the evaluation, the Board concluded that the Board as a whole and its committees had performed well, were effective and had all the necessary skills, experience and qualities to lead the Company.

Statement On Corporate Governance

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(i) BOARD COMMITTEES

The Board has delegated specific responsibilities to the Board Committees whose functions and authorities are spelt out in their respective terms of reference. The Board Committees will observe the same rules of conduct and procedures as the Board, unless otherwise determined by the Board. A summary of the various Board Committees at PNHB level and their composition are as follows:-

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee	Compliance, Internal Control and Risk Policy Committee (CICR)
Tan Sri Rozali Ismail Executive Chairman				
Dato' Hashim Mahfar Managing Director (appointed on 01/01/2010)				*Head
Dato' Ruslan Hassan Non-Independent Non-Executive Director				
Dato' Ir Lee Miang Koi Non-Independent Non-Executive Director				
Dato' Syed Danial Syed Ariffin Chief Operating Officer				
Tan Sri Dato' Hari Narayanan Govindasamy Independent Non-Executive Director	Member	Member	Member	
Tan Sri Dato' Seri Dr Ting Chew Peh Independent Non-Executive Director	Chairman	Member	Member	Chairman
Tengku Dato' Rahimah Almarhum Sultan Mahmud Non-Independent Non-Executive Director	Member			
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak Independent Non-Executive Director	Member	Chairman	Chairman	
Mr Ng Wah Tar Executive Director, Corporate Finance (appointed on 01/01/2010)		**Member		**Member

Statement On Corporate Governance

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Note:

- (1) *Appointed as a Member/Head of CICR on 01/01/2010
- (2) ** Appointed as a Member on 01/01/2010
- (3) The Audit Committee comprises non-executive directors, a majority of whom are independent directors (compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Securities)
- (4) The Remuneration Committee comprises wholly or mainly of non-executive directors (as recommended in the Code)
- (5) The Nomination Committee comprises wholly of non-executive directors, a majority of whom are independent (as recommended in the Code)

The Board Committees exercise transparency and full disclosure in their proceedings. Where applicable, issues are reported to the Board with the appropriate recommendations by the Board Committees.

Since 2005, in order to expedite the Board's decision-making process at the operating companies' level, an Executive Committee ("EXCO") comprising the Executive Directors was established at PNSB and SYABAS, respectively. Both PNSB's and SYABAS' EXCO Meetings are scheduled to be held on weekly basis to deliberate on matters requiring the Board's mandate in between the Board Meetings. The Board of Directors of Sino Water Pte Ltd ("Sino Water"), the Company's 98.65% owned Singapore subsidiary company meets in Malaysia to deliberate on operational matters.

The Board has also established the Limits of Authority (LOA) for the Group's operational management matters with the relevant level of authority accorded to the Management. The LOA is continuously reviewed to ensure adequacy, efficiency and integrity in the Group's internal control systems and management information systems. The Board provides the leadership necessary to enable the Group's business objectives to be met, whilst ensuring that the Company's obligations to its stakeholders are met.

(j) RE-ELECTION OF DIRECTORS

Articles 98 and 99 of the Company's Articles of Association ("Articles") provide that one third of the Directors shall retire from office by rotation at each Annual General Meeting and all Directors shall retire from office at least once every three (3) years but, shall be eligible and may offer themselves for re-election.

Upon the recommendation of the Nomination Committee, the following Directors shall retire at the forthcoming Fourteenth Annual General Meeting of the Company and being eligible, had offered themselves for re-election:-

- i. YBhg Tan Sri Rozali Ismail, retiring pursuant to Article 98 of the Articles;
- ii. YBhg Tan Sri Dato' Hari Narayanan Govindasamy, retiring pursuant to Article 98 of the Articles; and
- iii. YBhg Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak, retiring pursuant to Article 98 of the Articles.

The information on the Directors standing for re-election at the forthcoming Fourteenth Annual General Meeting is contained in the Statement Accompanying the Notice of Annual General Meeting.

Statement On Corporate Governance

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DIRECTORS' REMUNERATION

(a) PROCEDURE, LEVEL AND MAKE UP OF REMUNERATION

The Company has a formal procedure to determine the remuneration of each Board member which are reviewed, from time to time, against market practices. In the case of the Executive Directors, their remuneration are structured so as to link rewards to corporate and individual performance and their remuneration packages comprise a salary, allowances, bonuses and other benefits as normally accorded to similar positions in other comparable companies and sufficiently attractive to retain persons of high calibre. Performance is measured against profits and other targets set from the Company's annual budget and business plans as well as achievements of targeted returns to shareholders. In the case of the Independent Non-Executive Directors, their remunerations reflect their experience, level of responsibilities and contributions and the time spent attending to the Group's affairs and they are paid a fixed monthly allowance, leave passage and meeting allowances for each Board and Board Committee meeting that they attend.

The Remuneration Committee is responsible for recommending the remuneration packages of the Directors to the Board. The Board, as a whole, determines the remuneration of the Non-Executive Directors. Individual Directors shall abstain from discussing and voting on their own remuneration at the Board and Remuneration Committee Meetings.

(b) DISCLOSURE OF DIRECTORS' REMUNERATION

The details of the remuneration received and receivable by the Company's Directors from the Company for the financial year ended 31 December 2010 are as follows:-

Name of Director	Fees (RM)	Salaries (RM)	Bonuses (RM)	Leave Passage (RM)	Allowance (RM)	Employees Provident Fund (RM)	Total (RM)
Tan Sri Rozali Ismail	-	-	-	-	-	-	-
Dato' Hashim Mahfar (appointed on 01/01/2010)	-	-	-	-	-	-	-
Dato' Ruslan Hassan	-	-	-	-	-	-	-
Dato' Ir Lee Miang Koi	-	-	-	-	-	-	-
Dato' Syed Danial Syed Ariffin	-	-	-	-	-	-	-
Tan Sri Dato' Hari Narayanan Govindasamy	-	-	-	50,000	68,000	-	118,000

Statement On Corporate Governance

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Name of Director	Fees (RM)	Salaries (RM)	Bonuses (RM)	Leave Passage (RM)	Allowance (RM)	Employees Provident Fund (RM)	Total (RM)
Tan Sri Dato' Seri Dr Ting Chew Peh	-	-	-	50,000	95,000	-	145,000
Tengku Dato' Rahimah Almarhum Sultan Mahmud	-	-	-	-	10,000	-	10,000
Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak	-	-	-	50,000	72,000	-	122,000
Ng Wah Tar (appointed on 01/01/2010)	-	-	-	-	-	-	-

The remuneration packages of the Directors of the Company received and receivable from the Group for the financial year ended 31 December 2010 are categorised into the appropriate components as follows:-

	Executive Directors (RM)	Non-Executive Directors (RM)
Fees	-	-
Salaries	6,957,264	-
Bonuses	4,242,711	-
Benefits-in-kind	180,348	-
Allowances	1,658,368	245,000
Employees Provident Fund	1,802,413	-
Leave Passage	739,768	150,000
Total	15,580,872	395,000

Details of the Directors' Remuneration at Company and Group levels for the financial year ended 31 December 2010, in bands of RM50,000 are tabulated as follows:-

Range of Remuneration per annum	Company Level		Group Level
	No. of Executive Directors	No. of Non-Executive Directors	No. of Directors
RM1 to RM50,000	-	1	-
RM100,001 to RM150,000	-	3	3
RM300,001 to RM350,000	-	-	1
RM550,001 to RM600,000	-	-	1
RM750,001 to RM800,000	-	-	1
RM950,001 to RM1,000,000	-	-	1
RM1,950,001 to RM2,000,000	-	-	1
RM2,300,001 to RM2,350,000	-	-	1
RM6,850,001 to RM6,900,000	-	-	1

Statement On Corporate Governance

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(c) DIRECTORS' SHARE OPTIONS

There is no Directors' Share Options Scheme in the Company during the financial year ended 31 December 2010.

(d) DIRECTORS' TRAINING

The Directors keep themselves abreast on the latest regulatory and corporate governance developments, besides enhancing professionalism and knowledge to enable them to discharge their duties effectively.

For the financial year ended 31 December 2010, the Directors have attended training programmes, seminars and conferences organised by the Company and the various training providers covering areas such as:-

- Board Of Directors And Senior Management: Roles And Responsibilities For Financial Reporting
- International Investment Conference For Public Private Partnership
- Subsea Asia 2010 Conference & Exhibition
- 6th World Islamic Economic Forum: Gearing For Economic Resurgence
- Green Energy, Technology & Innovation Summit 2010
- International Water Association World Water Congress
- Water Crisis For Selangor, Kuala Lumpur and Putrajaya
- Asia Water 2010 Conference On Water & Wastewater
- Titled: Theme : Best Practices – Lessons Learnt In Developing Countries
- 6th DOHA Forum
- ASEAN Anniversary Forum – Building A People-Oriented Asean Community
- Enterprise Risk Management (ERM)
- Malaysian Water Association Technical Talk
- Vietnam Investment Summit 2010
- National Tax Conference 2010
- Public Speaking Course For Top Management
- World Congress Of Accountants 2010
- Brainstorming Session / Directors' Forum On "The Way Forward"
- Singapore International Water Week 2010
- Program Jejak Usahawan Bumiputera & Taklimat Pembiayaan Credit Guarantee Corp (CGC)
- National Water & Summit "Sustainable Water & Efficient Utilities Management – Key Challenges & Opportunities"
- Audit Committee Institute Roundtable Discussion
Titled: Going Forward : Risk & Reform – Implications For Audit Committee Oversight
- De-Mystifying Director's Legal Duties And Implication Under The Listing Requirements
- Corporate Governance Guide – Towards Boardroom Excellence
- MICG Updates On Regularly Framework And Directors' Duties 2010
– What Directors Need To Know?

In addition, the Executive Chairman and some Directors have also presented papers at seminars and forums on water-related subjects.

Statement On Corporate Governance

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SHAREHOLDERS' COMMUNICATION AND INVESTOR RELATIONS POLICY

The Board acknowledges the need for the Company's shareholders and investors to be informed of all material business and corporate developments concerning the Group in a timely manner. In addition to various announcements made during the year, the timely release of the Group's consolidated financial results on quarterly basis provides the shareholders and investors with an overview of the Group's financial and operational performances.

The Company maintains regular and effective communication with its shareholders and stakeholders through one-to-one or group dialogues, participation in investor conferences organised by local and foreign institutional houses, attending to shareholders' and investors' e-mails and phone calls enquiries, Company General Meetings and other Company events.

The Annual Report of Puncak Niaga which is produced in line with best corporate governance practices also serves as a key channel of communication with shareholders and investors.

Another communication tool to reach shareholders and investors is via our corporate website, www.puncakniaga.com.my with a direct link to SYABAS' website, www.syabas.com.my, which can be accessed easily and promptly for information on the Group as an ongoing commitment to provide more easily accessible information to the shareholders and investors.

The Company's Investor Relations Policy & Report is set out on pages 190 to 192 of this Annual Report.

ACCOUNTABILITY AND AUDIT

(a) FINANCIAL REPORTING

The Board is responsible for the quality and completeness of publicly disclosed financial reports. In presenting the annual financial statements, quarterly reports and the annual reports to the shareholders of the Company, the Board takes appropriate steps to present a clear and balanced assessment of the Group's position and prospects. This also applies to other price-sensitive public announcements and reports to the regulatory authorities.

The Group's financial statements and quarterly announcements, prepared using appropriate accounting policies, consistently and supported by reasonable and prudent judgements and estimates, will be reviewed and deliberated by the Audit Committee in the presence of the external auditors, internal auditors of the Company and the Executive Director of Finance Division prior to recommending them for adoption by the Board. The Audit Committee ensures that the information to be disclosed are accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to its adoption. The Board also ensures accurate and timely release of the Group's quarterly and annual financial results to Bursa Securities.

The Statement of Directors' Responsibility in respect of the preparation of the Annual Audited Financial Statements of the Group is set out on page 203 of this Annual Report.

Statement On Corporate Governance

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(b) RELATIONSHIP WITH EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the Group's external auditors. The external auditors attended all the Audit Committee meetings of the Company held during the financial year. These quarterly meetings enabled the exchange of views on issues requiring attention.

A formal mechanism has been established by the Audit Committee to ensure there is frank and candid dialogue with the External Auditors. The Audit Committee will meet the External Auditors twice a year (April and November) without the presence of the Executive Directors and Management. This allows the Audit Committee and the External Auditors the exchange of free and honest views and opinions in matters related to External Auditors' audit and findings.

A report by the Audit Committee together with its Terms of Reference is set out on pages 177 to 185 of this Annual Report.

(c) INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls, which provides reasonable assurance in ensuring the effectiveness and efficiency of the Group's operations and to safeguard shareholders' investment and its assets and interests in compliance with the relevant laws and regulations as well as the internal financial administration procedures and guidelines.

The Group's Statement on Internal Control is set out on pages 174 to 176 of this Annual Report.

(d) CORPORATE SOCIAL RESPONSIBILITY

Appendix 9C (Part A, Paragraph 29) of the Main Market Listing Requirements of Bursa Securities requires a listed company to provide a description in its annual report of the corporate social responsibility activities and practices undertaken by the listed company and its subsidiaries.

The Group's Report on Environmental Issues, Social Accountability and Sustainability Report are set out in Valuing Our People section on pages 106 to 125 of this Annual Report, in Engagement With Our Community section on pages 126 to 136 of this Annual Report and in Preserving Our Environment section on pages 139 to 154 of this Annual Report.

OTHER COMPLIANCE INFORMATION

(a) SHARE BUY BACK

The Company did not implement any share buy back or resale or cancel any of the Company's treasury shares during the financial year ended 31 December 2010. As at 31 December 2010, the total number of the Company's treasury shares remained at 2,036,800 ordinary shares of RM1.00 each.

(b) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities exercised during the financial year ended 31 December 2010 as the options and warrants had expired, lapsed and became void and ceased to be exercisable after the expiry date or the exercisable period respectively.

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(c) AMERICAN DEPOSITORY RECEIPT (ADR)/GLOBAL DEPOSITORY RECEIPT (GDR)

The Company does not sponsor any ADR or GDR programme.

(d) SANCTIONS AND/OR PENALTIES

The Company and its subsidiaries, Directors and Management have not been imposed with any sanctions and/or penalties by the relevant regulatory bodies for the financial year ended 31 December 2010.

However, the Company received a public reprimand on 14 June 2010 from Bursa Securities in respect of the financial year ended 31 December 2008, for breach of Paragraphs 9.16(1)(a) and 9.19(34) of the Main Market Listing Requirements of Bursa Securities for failure to announce the explanation on the deviation between the Unaudited Results for the fourth quarterly report as at 31 December 2008 and the Audited Results for the financial year ended 31 December 2008 of the profit after taxation and minority interest in accordance with the requirements.

(e) NON-AUDIT FEES

During the financial year ended 31 December 2010, the Group paid the following non-audit fees to the external auditors:-

- (i) Tax advisory and compliance work – RM121,897.00
- (ii) Other non-audit related services – RM393,281.00

Non-audit fees payable to the external auditors, Messrs Ernst & Young relates to the review of the Statement of Internal Control and other professional services including tax compliance, tax planning and advisory services.

(f) VARIATIONS IN RESULTS

There was no material variation in the Audited Financial Statements for the financial year ended 31 December 2010 contained in this Annual Report as compared with the unaudited consolidated results of the Group for the financial year ended 31 December 2010 which was announced to Bursa Securities on 24 February 2011.

(g) PROFIT GUARANTEE

The Company does not provide any profit guarantee to any parties.

(h) REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy of regular revaluation of its property. Details of the Group's properties are disclosed on pages 201 to 202 of this Annual Report.

(i) RECURRENT RELATED PARTY TRANSACTION

The Company did not enter into any recurrent related party transaction, which requires the shareholders' mandate during the financial year ended 31 December 2010.

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(j) MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Material contracts entered into by the Company and the Group, which involve the interests of Directors and major shareholders of the Company and its subsidiary companies and material contracts which are still subsisting at the end of the financial year ended 31 December 2010, are as follows:-

Date	Nature of Contract	Parties	Consideration/ Mode of Satisfaction	Relationship with Director/ Major Shareholder
15 December 2004	Concession Agreement	Syarikat Bekalan Air Selangor Sdn Bhd ("SYABAS"), the State Government of Selangor Darul Ehsan and the Government of Malaysia ("Federal Government")	Not Applicable	YBhg Tan Sri Rozali Ismail ("TSRI") is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in Central Plus (M) Sdn Bhd ("CPlus") and Corporate Line (M) Sdn Bhd ("CLine"). PNHB in turn, holds 70% equity interest in SYABAS.
31 December 2004	Shareholders' Agreement	PNHB, Kumpulan Darul Ehsan Berhad ("KDEB") and SYABAS	Not Applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 70% equity interest in SYABAS.

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Date	Nature of Contract	Parties	Consideration/ Mode of Satisfaction	Relationship with Director/ Major Shareholder
23 February 2006	Subscription Agreement In Relation To The Subscription For Up To RM1.045 Billion Nominal Value Of Redeemable Cumulative Unsecured Loan Stocks Of SYABAS (RCULS)	PNHB, KDEB and SYABAS	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 70% equity interest in SYABAS.
8 December 2006	Subscription Agreement In Relation To The Issue Of RM435.0 Million Nominal Value Of Redeemable Unsecured Bonds To PNHB	Puncak Niaga (M) Sdn Bhd ("PNSB") (as the Issuer), United Overseas Bank (Malaysia) Bhd (as the Facility Agent and the Issue Agent) and PNHB	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 100% equity interest in PNSB.
16 August 2007	Sungai Lolo Water Treatment Plant (Extension) Operation And Maintenance Agreement	The State Government of Selangor Darul Ehsan and PNSB	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 100% equity interest in PNSB.
16 August 2007	Novation Agreement In Relation To The Sungai Lolo Water Treatment Plant (Extension) Operation and Maintenance Agreement	The State Government of Selangor Darul Ehsan, PNSB and SYABAS	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 100% and 70% equity interests in PNSB and SYABAS, respectively.

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Date	Nature of Contract	Parties	Consideration/ Mode of Satisfaction	Relationship with Director/ Major Shareholder
7 March 2008	Sg Sireh Water Treatment Plant (Extension) Operation and Maintenance Agreement	The State Government of Selangor Darul Ehsan and PNSB	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 100% equity interest in PNSB.
7 March 2008	Novation Agreement To The Sg Sireh Water Treatment Plant (Extension) Operation and Maintenance Agreement	The State Government of Selangor Darul Ehsan, PNSB and SYABAS	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 100% and 70% equity interests in PNSB and SYABAS, respectively.
20 February 2009	Supplemental Shareholders' Agreement (Transfer of 15% equity interest in SYABAS comprising 750,000 ordinary shares of RM1.00 each from KDEB to KPSB)	PNHB, KDEB, SYABAS and Kumpulan Perangas Selangor Berhad (KPSB)	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 70% equity interest in SYABAS.

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Date	Nature of Contract	Parties	Consideration/ Mode of Satisfaction	Relationship with Director/ Major Shareholder
16 December 2009	Loan Facility Agreement (in respect of a loan facility of RM320,800,000.00 only). The details are set out in the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2010 on page 304 of this Annual Report	SYABAS (Borrower) and the Federal Government (Lender)	Not applicable	TSRI is a major shareholder of PNHB held directly under his name and indirectly held through his 100% equity interest in CPlus and CLine. PNHB in turn, holds 70% equity interest in SYABAS.

STATEMENT OF GOING CONCERN

The financial statements of the Group and the Company have been prepared on going concern basis even though as at 31 December 2010, the Group net current liabilities amounted to RM94,582,928.00 and the credit rating of certain of the Group's borrowings were downgraded subsequent to the year end. These factors indicate the existence of material uncertainties which may cast significant doubt on the ability of the Group and the Company to continue as going concern and therefore their ability to realize their assets and discharge their liabilities in the normal course of business. The Board is of the view that the ability of the Group and the Company to continue as going concern is dependent on the timely and favourable outcome of the matters as discussed in Note 2.1 to the financial statements for the financial year ended 31 December 2010.

This Statement on Corporate Governance has been approved by the Board of PNHB on 26 April 2011.

Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance (Revised 2007) requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Main Market Listing Requirements of Bursa Malaysia Securities Berhad requires Directors of listed companies to include a statement in their annual reports on the state of their internal controls.

RESPONSIBILITY

The Boards of the PNHB Group are responsible for maintaining sound systems of internal control and for reviewing their adequacy and integrity so as to safeguard the shareholders' investments and the Group's assets. The Boards and Management have implemented a control system designed to identify and manage risks facing the Group in pursuit of its business objectives. This internal control system, by its nature, can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has in place ongoing processes for identifying, evaluating, monitoring and managing significant risks faced by the Group during the year. The Management is responsible for the identification and evaluation of significant risks applicable to their respective areas of business and to formulate suitable internal controls. This process is reviewed by the Board of PNHB via a specific Board Committee, namely the Compliance, Internal Control and Risk Policy Committee, which dedicates its time at periodic intervals throughout the year for discussion on this matter.

RISK MANAGEMENT FRAMEWORK

Risk Management is firmly embedded in the Group's management system and is every employee's responsibility. In October 2001, the Board of PNHB formally approved a systematic risk management structure and process for the Group. Since then, the structure and process have been fully implemented by the Management and employees of the PNHB Group. The Group's risk management framework is explained in detail in the Risk Management Policy & Report set out on pages 186 to 189 of this Annual Report.

INTERNAL CONTROL SYSTEM

The key elements of the Group's internal control system and assurance processes, inter alia, encompass the following:-

- All major decisions require the final approval of the respective Boards/Executive Committees within the Group (PNHB/PNSB/SYABAS/Sino Water Pte Ltd) and are only made after appropriate in-depth analysis. The respective Boards/Executive Committees receive regular and comprehensive information covering all Divisions/Departments/Districts in the respective companies within the Group.

Statement On Internal Control

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- All Divisions and Departments of PNSB have clearly documented Procedure Manuals and/or Policies whilst SYABAS has Standard Operating Procedures and/or Policies incorporating control procedures and the scopes of responsibilities and authorities. The Procedure Manuals/ Standard Operating Procedures/Policies are updated from time to time to incorporate all elements necessitated by changes in the legislation, industry best practices and business dynamics.
- The Internal Audit Department of PNSB independently reviews the control processes implemented by the Management from time to time and periodically reports on its findings and recommendations to the Audit Committee of PNHB. The duties and responsibilities of PNHB's Audit Committee are detailed in the Terms of Reference of PNHB's Audit Committee. The Audit Committee, by consideration of both Internal and External Audit Reports, is able to gauge the effectiveness and adequacy of the internal control system, for presentation of its findings to the Board. The Internal Audit Department of PNSB extends a copy of its Final Internal Audit Reports to the Executive Chairman and Managing Director and summarised Status Reports on its activities are regularly submitted to the Management Committee Meetings.
- The Board of SYABAS established an Audit Committee with its own Terms of Reference on 3 August 2007. The Internal Audit Division of SYABAS extends a copy of its Internal Audit Reports to the Executive Chairman and summarised Status Reports on its activities are regularly submitted to the Management of SYABAS.
- The Compliance, Internal Control and Risk Policy Committee, which is chaired by YBhg Tan Sri Dato' Seri Dr Ting Chew Peh, an Independent Non-Executive Director of PNHB was established in October 2001. This Committee closely monitors the Risk Management process within the Group and the extent of compliance with the Statement on Internal Control requirements.
- The Tender and Contracts Committee of PNSB and the Tender Committees of SYABAS ensure transparency and competitive pricing in the award of contracts within the Group.
- A detailed budgeting process has been established for PNSB, SYABAS, Sino Water Pte Ltd and Puncak Oil & Gas Sdn Bhd requiring all Divisions/Departments/Districts to prepare their respective budgets annually. These budgets are then reviewed and approved by the respective Boards/Executive Committees prior to actual implementation each year. The monitoring of actual performance versus budget for PNSB, SYABAS and Sino Water Pte Ltd, with major variances being followed up, is done on a monthly basis and Management action is taken to rectify any shortcomings, where necessary.
- PNSB, SYABAS and Sino Water Pte Ltd have their own Limits of Authorities that have been approved by their respective Boards.
- Self Assessment Audit Forms (which list all key procedures), have been developed for all Departments of PNSB. With effect from 31 March 2008, all Departments are required to submit a quarterly declaration to the Internal Audit Department as to whether all the key procedures have been complied with.

Statement On Internal Control

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Guidance for Directors of Public Listed Companies

Since the issuance of the “Statement on Internal Control: Guidance for Directors of Public Listed Companies” (Guidance) in December 2000, the Group has monitored its level of readiness with the Guidance. The Group aims to not just achieve full compliance, but also to improve on the Group’s processes by implementing best business practices in line with international best practice standards. Throughout the year 2010, the Compliance, Internal Control and Risk Policy Committee has closely monitored the Group’s level of readiness with the Guidance.

This Statement on Internal Control has been prepared in accordance with the Guidance and has been approved by the Board of PNHB and reviewed by the external auditors.

For and on behalf of the Board of Puncak Niaga Holdings Berhad

TAN SRI DATO’ SERI DR TING CHEW PEH

Chairman

Compliance, Internal Control and Risk Policy Committee

26 April 2011

Audit Committee Report

The Board of Directors of Puncak Niaga Holdings Berhad ("PNHB") is pleased to present the report of the Audit Committee for the financial year 2010.

1. MEMBERSHIPS AND MEETINGS

The Audit Committee comprises the following members and details of attendance of each member at the Audit Committee Meetings held during the financial year 2010 were as follows:

Composition of Committee	Number of Meetings Held	Number of Meetings Attended	Percentage (%)
YBhg Tan Sri Dato' Seri Dr Ting Chew Peh Chairman/Independent Non-Executive Director	6	6	100%
YBhg Tan Sri Dato' Hari Narayanan Govindasamy Member/Independent Non-Executive Director	6	5	83.3%
YAM Tengku Dato' Rahimah Almarhum Sultan Mahmud Member/Non-Independent Non-Executive Director	6	6	100%
YBhg Tan Sri Dato' Ahmad Fuzi Haji Abdul Razak Member/Independent Non-Executive Director	6	6	100%

The Executive Director (Finance Division), Senior Manager (Internal Audit Department), General Manager (Operation & Maintenance Department) and other members of Senior Management attended these meetings upon the invitation by the Chairman of the Audit Committee. The Group's external auditors were also invited to attend these meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed. The Company Secretaries, Madam Tan Bee Lian and Madam Lim Yew Heang are the Secretaries to the Audit Committee.

2. SUMMARY OF ACTIVITIES

During the financial year 2010, the Audit Committee carried out its duties as set out in the terms of reference. The main activities carried out by the Audit Committee during the financial year included the following:-

Financial Results

- Reviewed the quarterly and year-to-date unaudited financial results of the Group before tabling to the Board for consideration and approval.
- Reviewed the reports and the audited financial statements of the Company and of the Group together with the external auditors prior to tabling to the Board for approval.

Audit Committee Report

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External Audit

- Reviewed the external auditors' scope of work and audit plan for the year and made recommendations to the Board on their appointment and remuneration.
- Reviewed and discussed the external auditors' audit report and areas of concern highlighted in the management letter, including management's response to the concerns raised by the external auditors.
- Discussed on significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements.

Internal Audit

- Reviewed the Internal Audit Plan, programme of resource requirement for the year and assessed the performance of the Internal Audit Department.
- Reviewed the Internal Audit reports, which highlighted the audit issues, recommendations and the Management's responses and directed action to be taken by the Management to rectify and improve the system of internal control.
- Monitored the implementation of recommendations made by the Internal Audit Department arising from its audits in order to obtain assurances that all key risks and control concerns have been fully addressed.

Related Party Transactions

Reviewed all related party transactions entered into by the Company and the Group.

3. INTERNAL AUDIT FUNCTIONS

Puncak Niaga Holdings Berhad ("PNHB")/Puncak Niaga (M) Sdn Bhd ("PNSB")

PNHB/PNSB has an established Internal Audit Department reporting directly to the Audit Committee. The Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. The PNHB's/PNSB's Internal Audit Department is headed by Encik Mohammed Sofian Ismail who is also the Head of the Risk Management Section. Encik Mohammed Sofian Ismail is a Chartered Member of the Institute of Internal Auditors, Malaysia ("CMIIA"), a Certified Internal Auditor ("CIA") and holds a Certification in Control Self Assessment ("CCSA") both from the Institute of Internal Auditors Inc, USA, a Certified Information Systems Auditor ("CISA") of the Information Systems and Control Association, USA, a Certified Information Systems Security Professional ("CISSP") and Systems Security Certified Practitioner ("SSCP") of (ISC)², USA and a Master of Business Administration holder from Bond University, Australia. He has more than 26 years' working experience in both internal and external audit. The Internal Audit Department provides an independent assurance on risk management, governance and internal control. The Internal Audit Department focuses on regular and systematic review of the internal control and management information systems, including the system for compliance with applicable laws, regulations, rules, directives and guidelines.

Audit Committee Report

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The Annual Internal Audit Plan 2011 of the Internal Audit Department (which was developed based on a risk based approach), was approved by the Audit Committee at the 66th Audit Committee Meeting of the Company held on 25 November 2010. The scope of the Internal Audit Department's functions covers audits on the adequacy of governance processes, operational controls, compliance with established procedures, guidelines and statutory requirements and also the various computer application systems and networks of the Company and of the Group.

The Internal Audit Department has conducted the evaluation of the system of internal control that encompasses the Group's governance, operations and information systems. The Internal Audit reports, which highlights internal control weaknesses, were deliberated by the Audit Committee and the recommendations were duly acted upon by the Management.

In 2010, the Internal Audit Department undertook more than 50 major audit assignments covering all the Water Treatment Plants, high-risk areas identified by the Risk Management Scorecard Working Group and adhoc assignments requested by the Senior Management.

Examples of key areas audited by the Internal Audit Department during the Financial Year 2010 were Risk of Breach of Loan Covenants – Finance and Accounts Department, Whether Payments Were Properly Authorised and With Supporting Documents – Finance and Accounts Department, Information Technology General Controls, Fixed Asset Register – Administration Department, Sludge Lagoon Operations at SSP2, Operational Review of Selected New Sludge Treatment Facilities, Preventive Maintenance at SSP2 and Wangsa Maju WTPs, Plant Audits of all Water Treatment Plants, etc. All audits were performed in-house. In 2010, the Internal Audit Department also coordinated the updating of the Company's Limits of Authorities Policy and the Departmental Procedural Manuals.

The Head of Internal Audit is also the Secretary to the Compliance, Internal Control and Risk Policy Committee. The Internal Audit Department's role with regards to the Group's risk management framework is explained in the Risk Management Policy & Report set out on pages 186 to 189 of this Annual Report.

The total cost incurred by the Internal Audit Department in relation to the conduct of the internal audit function of PNHB/PNSB during the Financial Year 2010 was about RM995,000.

As at 31 December 2010, the Internal Audit Department had 11 staff (four Accountants, four Engineers and three support staff). Training attended by the Internal Audit Department's staff in 2010 included the Institute of Internal Auditors' Conference, Balanced Scorecard Workshop, Key Performance Indicators Workshop, Occupational Safety & Health Act 1994, Factories & Machinery Act 1967, OHSAS 18001, etc.

Audit Committee Report

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SYABAS

Due to the complexity of its water distribution operations which are dissimilar to that of PNSB's water treatment operations, the Board of SYABAS formally ratified the establishment of the Internal Audit Division (now known as Internal Audit Department) on 1 September 2006 and an Audit Committee with its own terms of reference was formed on 3 August 2007. The Internal Audit Department of SYABAS is headed by Tuan Haji Sonari Solor, a member of the Malaysian Institute of Accountants ("MIA"), Fellow of the Association of Chartered Certified Accountants (UK) and a professional qualification holder from the Chartered Institute of Management Accountants (UK). Tuan Haji Sonari Solor has more than 22 years of working experience in senior audit and accounting positions with public listed companies. He was formerly the Head of PNHB's/PNSB's Internal Audit Department for the period from September 1998 to August 2006 before assuming his current position as Head of SYABAS' Internal Audit Department.

At SYABAS, the audit emphasis for the Financial Year 2010 was to ascertain the level of compliance with the corporate governance frameworks, policies, procedures and regulatory requirements. Evaluations were made at all levels of the organisation including all the ten District Offices. In 2010, the Internal Audit Department conducted 39 major assignments e.g. Review on the Rotation, Suspension and Blacklisting of Errant Contractors, Adequacy of BASIS Defense Systems Against External Access, Review of Procedures for Cash in Transit by the Auxiliary Police, Disconnection of Meters and Proposed Installments, Review of Outstanding Debts by Management Companies, etc.

The total cost incurred by the Internal Audit Department in relation to the conduct of the internal audit function of SYABAS during the year 2010 was about RM850,000.

4. TERMS OF REFERENCE OF PNHB'S AUDIT COMMITTEE

A. Composition

The Board shall elect an Audit Committee from amongst themselves (pursuant to a resolution of the Board of Directors), comprising of at least three (3) Directors which fulfils the following requirements:

- i All the members of the Audit Committee must be Non-Executive Directors of the Company (and excluding Alternate Directors) with a majority of them being Independent Directors; and
- ii At least one (1) member of the Audit Committee:
 - a must be a member of the Malaysian Institute of Accountants;
 - b if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - 1 he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - 2 he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - 3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

Audit Committee Report

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The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an Independent Director. It would be advantageous if the Chairman possesses a strong personality, have knowledge and experience in financial reporting, good leadership skills and is keen to get financial reporting and controls right.

The Chairman of the Audit Committee will maintain continuous engagement with the Board Members and Senior Management of the Company and the external auditors in order to be kept abreast of matters affecting the Company. All members of the Audit Committee should be financially literate.

All members of the Audit Committee, including the Chairman, will hold office only so long as they serve as Directors of the Company. Should any member of the Audit Committee cease to be a Director of the Company, his membership in the Audit Committee would cease forthwith.

If the members of the Audit Committee for any reason be reduced to below three (3), the Board of Directors shall within three (3) months of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

B. Objectives

The primary objectives of the Audit Committee are to:

- i Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company's accounting and management controls, financial reporting and business ethics policies.
- ii Provide greater emphasis on the audit function by increasing the objectivity and independence of external and internal auditors and providing a forum for discussion that is independent of the Management.
- iii Maintain through regularly scheduled meetings a direct line of communication between the Board and the external auditors, internal auditors and financial management.
- iv Strengthen the role of Non-Executive Directors by improving their knowledge and understanding of the Company's operation.
- v Undertake such additional duties as may be appropriate and necessary to assist the Board. However, whether or not the Audit Committee should undertake one or more of the additional duties rests on the Board's viewpoint on corporate needs and the environment in which the Company operates.

C. Duties And Responsibilities

In fulfilling its primary objectives, the Audit Committee will need to undertake the following duties and responsibilities:

Audit Committee Report

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C.1 **Oversee All Matters Relating to External and Internal Audits**

i Review the Annual Audit Plan with the external auditors. The Committee shall meet with the external auditors prior to the commencement of the annual audit to discuss:

- The general outline of the extent and timing of the auditors' proposed coverage of location such as branches, departments, factories, divisions and subsidiaries.
- The nature of the audit procedures to be performed.
- The extent of any planned reliance on the work of the internal auditors and the anticipated effect of this reliance on the examination.
- Any significant accounting and auditing problems that the auditors can foresee.
- The impact on the financial statements of any new or proposed changes in accounting standards or regulatory requirements.
- The effect on the audit of significant data-processing systems.

Following its review of the plan, the Audit Committee may request the external auditors to perform additional audit work directed to specific areas of concern to the Committee.

ii Oversee the Internal Audit Department. The Audit Committee in overseeing the Internal Audit Department will:

- Review the audit programme, scope, performance and findings of the internal auditors.
- Monitor the implementation of the programme so that sufficient internal audit coverage is accorded. In this respect, only the Committee can consider and approve or otherwise, all requests by Senior Management to utilise the internal audit personnel for non-audit assignments.
- Assess the capacity of the Internal Audit Department to fulfil its responsibilities by considering, amongst other things, the adequacy of the scope of the Department's authority as presented in the Department's charter, the competency, qualifications and experience level of its employees, the degree to which internal auditors are independent of the activities they audit and the reporting relationship between the Head of Internal Audit and Senior Management.
- Review any appraisal or assessment of the performance of the staff of the Internal Audit Department.
- Approve any appointment or termination of the Head of the Internal Audit Department.
- To take cognizance of the staff resignations in the Internal Audit Department and their reasons for resigning as stated in the Exit Interview Form(s).
- The Internal Audit Department shall exercise independence, impartiality, proficiency and due professional care in the discharge of its internal audit function and the activities it audits within the Company and Group.
- To review the coordination of audit efforts between external and internal auditors, where practical, with a view to maximising audit effectiveness and controlling external audit costs.

Audit Committee Report

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- iii Review the assistance and cooperation given by the Company's officers to the external and internal auditors.
- iv Any letter of resignation from the external auditors.
- v To recommend the nomination of a person or persons as external auditors or re-appointment or whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment.
- vi The external and/or internal auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Audit Committee when required to do so by the Audit Committee.
- vii Upon the request of the external and/or internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the auditors believe should be brought to the attention of the Committee.
- viii The Audit Committee may convene meetings with the external auditors and/or internal auditors, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

C.2 Evaluate the Standards of Internal Control and Financial Reporting

- i Hold specific discussions with Senior Corporate Management to discuss the overall adequacy of the internal control system.
- ii Meet with the internal and external auditors concerning their evaluation of the system of internal accounting controls.
- iii Consider the nature and disposition of the relevant comments appearing in the reports prepared by the internal auditors and in the external auditors' management letter.

C.3 Review of Financial Statements

- i Meet with the Management and the external auditors to discuss the annual financial statements of the Company or Group and the results of the audit before recommending approval by the Board.
- ii Review the changes in or implementation of major accounting policy changes, the nature and resolution of any significant accounting and auditing problems encountered during the examination.
- iii It is good practice for the Audit Committee to meet the Management at a regular interval to review the results of the Company or Group, such as quarterly review of the results.
- iv Review the nature of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the Management's integrity.

Audit Committee Report

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- v Review the nature of any significant adjustments and unusual events, reclassifications or additional disclosures proposed by the external auditors that are currently significant or may become significant in the future.
- vi Review the adequacy of disclosure of the impact of any changes during the year in accounting policies, standards and/or regulatory requirements.
- vii Review the reasons for the major fluctuations in financial statement balances for the current year compared to prior years.
- viii Review for any unusual circumstances or situations reflected in the financial statements, including identifying any marginal operations.
- ix Review the nature of any unusual or significant commitments or contingent liabilities.
- x Review of any significant differences between the annual report and other reports, such as reports to the regulatory agencies.
- xi Review for any significant differences in format or disclosure from industry norms.

C.4 Additional Duties and Responsibilities

- i Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Company.
- ii Review the Company's business ethics code, the method of monitoring, compliance with the code and the disposition of reported exceptions.
- iii Review executive expenses.
- iv Review policies on sensitive payments.
- v Review compliance with certain government regulations.
- vi Review policies to avoid conflicts of interest and review past or proposed transactions between the Company and members of the Management.
- vii Review certain aspects of the Company's pension plan and compliance with relevant laws and regulations.
- viii Assess the performance of financial management.
- ix Such other functions as may be agreed to by the Audit Committee and the Board of Directors.
- x When the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Audit Committee shall promptly report such matter to the Exchange.

Audit Committee Report

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D. Access to Records

In carrying out their duties and responsibilities, the Audit Committee will in principle have full, free and unrestricted access to all Company records, property and personnel.

E. Meetings and Minutes

It is good practice for the Audit Committee to hold a minimum of four (4) meetings a year, although additional meetings may be called at any time at the Chairman's discretion. It would be desirable that the notice of meetings be sent at least seven (7) days before the time set for the meeting together with an agenda to all members of the Committee and any persons that may be required to attend. The recommended quorum for each meeting shall be three (3) members, with the majority of members present being Independent Directors.

In addition to the Committee members, the Executive Director of Finance Division and the Head of Internal Audit Department will normally be in attendance at the meetings. Representative of the external auditors are to be in attendance at meetings where matters relating to the audit of the statutory accounts and/or the external auditors are to be discussed.

The Chief Executive Officer, other Board Members and/or other appropriate officers may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Committee Chairman.

The Audit Committee will meet with the external auditors without the Executive Directors present at least twice a year.

Minutes of each meeting shall be kept and distributed to each member of the Committee and also to the members of the Board. The Committee Chairman shall report on each meeting to the Board. The Secretary to the Audit Committee shall be the Company Secretary.

Risk Management Policy & Report

RISK MANAGEMENT POLICY

The Board of Puncak Niaga Holdings Berhad has approved the following Group's Risk Management Policy Statement:-

"The PNHB Group's Risk Management Policy is to identify, measure and control risks that may prevent the Group from achieving its objectives.

Our challenge is to apply risk management to all parts of our business to ensure business risks are minimised and opportunities enhanced.

We will achieve, maintain and review a proper risk management system. This commitment is driven by the Board of Directors, which in turn is implemented by the Management and extends to all employees of the Group.

This policy statement assigns responsibility for risk management to all PNHB Group employees and acknowledges that corporate responsibility lies with the Board of Directors of the PNHB Group."

RISK MANAGEMENT REPORT

There are risks faced by all companies in the various facets of their corporate lives. The nature of such risks including systemic, market, employees, economic, legislation, financial and others, need to be identified and managed to reduce the possibility and impact of any adverse effects. Puncak Niaga recognises this and has initiated risk management programmes to ensure its business risks are minimised and opportunities enhanced.

The following steps were taken by the Board of Puncak Niaga in October 2001, for the management of the Group's corporate risks:-

1. The preparation of the Group's Risk Management Policy Statement.
2. The formation of the Compliance, Internal Control and Risk Policy Committee ("CICR") with its own Terms of Reference.
3. The setting up of a Risk Management Section, which reports to the CICR.

As a follow-up from the Strategic Corporate Risk Management Workshop held for the Board and Senior Management in August 2001, information on Risk Management has been fully disseminated to all employees in the form of posters and through the Group's internal communications network.

In addition, the risk management framework which was established in October 2001 has since then been fully implemented by the Management and employees of Puncak Niaga.

A second Strategic Enterprise-Wide Risk Management Workshop was conducted for Directors and Senior Management staff, by an external consultant on 11 September 2008.

Risk Management Policy & Report

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COMPLIANCE, INTERNAL CONTROL AND RISK POLICY COMMITTEE (“CICR”)

The establishment of the CICR was formalised by the Board in October 2001. The current members of the CICR comprise the following:-

Chairman : **YBhg Tan Sri Dato’ Seri Dr Ting Chew Peh**
(Independent Non-Executive Director)

Members : **YBhg Dato’ Hashim Mahfar**
Managing Director
(Head of Compliance, Internal Control and Risk Policy Committee)
Mr Danny Ng Wah Tar
Executive Director, Corporate Finance Division
Madam Tan Bee Lian
Executive Director, Corporate Services Division
Tuan Haji Sonari Solor
Senior General Manager, Internal Audit Department - SYABAS

Secretary : **Encik Mohammed Sofian Ismail**
Senior Manager, Internal Audit Department (Acting Head)
(Head of Risk Management Section)

A) TERMS OF REFERENCE OF THE CICR

The CICR shall provide assistance to the Board of Directors of Puncak Niaga in discharging its fiduciary responsibilities relating to safeguarding shareholders’ investment and the Group’s assets through a structured approach to Risk Management. The primary responsibilities of the CICR are:-

- Formulating strategies to manage the overall risks associated with the Group’s activities. This entails decisions on:-
 - ❑ Long-term and short-term strategies.
 - ❑ Justifiable capital allocation based on return per unit of risk.
- Recommending the appropriate risk management policies and procedures, which shall be reviewed frequently to ensure consistency with fundamental changes in the economy, market conditions and regulations.
- Reviewing periodically the Group’s overall objectives by assessing the current risk portfolio composition and determining the desired exposures of each major area of risk.
- Monitoring and assessing the risk portfolio composition of significant activities of the Group.
- Keeping abreast of both current risk management techniques and theories, and any possible or actual changes in the regulatory environment, and recommending the appropriate action.

Risk Management Policy & Report

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B) CICR ACTIVITIES

MEETINGS HELD AND ISSUES COVERED

During the year 2010, the CICR held eight (8) meetings, of which four (4) were chaired by YBhg Tan Sri Dato' Seri Dr Ting Chew Peh (Chairman of CICR) and four (4) were chaired by YBhg Dato' Hashim Mahfar (Head of CICR).

At its meetings, the CICR reviewed in detail, the Status Reports prepared by the Risk Management Section. The issues covered include the following:-

1. The level of readiness of PNSB and the respective Divisions and Departments with regards to the "Statement on Internal Control" requirements.
2. The progress of the risk assessment and risk monitoring exercises at Departmental/ Divisional and Enterprise-Wide levels. The main risks, controls and management actions are highlighted for the CICR to deliberate.
3. The effective utilisation of the Q-RADAR Corporate Risk Scorecard software to identify, measure and monitor all corporate risks identified within PNSB and Sino Water Pte Ltd.
4. Other relevant risk issues affecting the Group, from time to time.

RISK MANAGEMENT SCORECARD WORKING GROUP AND ENTERPRISE-WIDE RISKS

The Group recognises that Risk Management involves a structured approach, combining the efforts of all functions within the Group, to minimise the possibility and impact of unexpected damages so as to contribute towards greater efficiency and better decision-making. The Group's Enterprise-Wide Risk Profile is reviewed annually to take into consideration changes in the business environment, strategies and functional activities of the Group. The Risk Management Scorecard Working Group ("RMSWG"), comprising all Executive Directors and Heads of Departments of PNSB and a Senior Management representative from SYABAS, met on 13 October 2010 to review the Group's Enterprise-Wide Risk Profile. The deliberations of the RMSWG were reviewed by the CICR on 4 November 2010. Subsequently, a detailed Board Paper on the Group's Top Ten Enterprise Wide Risks was tabled at PNHB's Board of Directors' Meeting held on 25 November 2010.

The Group's Enterprise-Wide Risk Profile will be reassessed by the RMSWG in the second half of 2011.

QUARTERLY RISK SCORECARD REPORTING (PNSB AND SINO WATER PTE LTD)

The respective Heads of Divisions and Departments of PNSB and the Managing Director of Sino Water Pte Ltd are responsible for assessing and managing their respective risks. Using the Q-RADAR Corporate Risk Scorecard software, the respective Heads of Divisions and Departments of PNSB and the Managing Director of Sino Water Pte Ltd submit their detailed risk scorecard reports to the Risk Management Section every quarter.

Risk Management Section analyses and summarises the risk scorecard reports received for further deliberation by the CICR.

Risk Management Policy & Report

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Q-RADAR CORPORATE RISK SCORECARD SOFTWARE

PNHB, PNSB and Sino Water Pte Ltd utilise a risk management tool namely, the Q-RADAR Corporate Risk Scorecard (“CRS”) software to identify, measure and manage all corporate risks affecting PNSB. The CRS software offers a systematic approach to the management of enterprise-wide risks facing corporations and assists the Management of Puncak Niaga to successfully achieve their corporate objectives.

In December 2010, the Q-RADAR CRS software (Version 6) was upgraded to V7.3. The software is web-based and allows authorised users to monitor their respective risks on-line from any location. As at 31 December 2010, the Q-RADAR CRS software had more than eighty (80) authorised users and covered twenty (20) Departments/Divisions, including Sino Water Pte Ltd.

The Q-RADAR CRS software is administered by the Risk Management Section.

RISK MANAGEMENT AT SYABAS

A Risk Management Workshop was conducted for all relevant Heads (or their representatives) of Divisions and Departments by the Internal Audit Division on 11 August 2009.

Broadly, the topics covered during the Workshop were:

1. Risk Management Awareness.
2. Risk Management Thought Process.
3. Risk Management Scorecard Software (Q-RADAR).

The RMSWG (comprising all Heads of Divisions and Departments) then deliberated upon the “Enterprise-Wide Risks Facing SYABAS For 2009/2010” on 27 October, 10 November, 3 December 2009 and 19 February 2010.

Matters discussed included:

1. Likelihood of risk events happening.
2. Evaluation of the consequences of the risk events happening.
3. Confirmation as to whether controls are in place and are being used to manage the risks.
4. Risks ranking from the highest to the lowest to produce a priority list.

Subsequently, SYABAS submitted its Report “Major Risks Facing SYABAS 2009/2010” to the CICR on 29 March 2010.

Investor Relations Policy & Report

As a responsible corporate citizen, Puncak Niaga is totally committed to upholding the highest standards of transparency, accountability and integrity in the conduct of our business activities in the best interest of our shareholders as well as to allow potential investors to make careful and informed investment decisions based on full and transparent disclosure of information.

Puncak Niaga's Investor Relations Policy aims to build long-term relationships and credibility with our shareholders and potential investors based on trust, honesty, openness, transparency and sound understanding of the Company.

To achieve its objectives, the Company will endeavour to undertake the following:-

1. CREATING QUALITY DIALOGUE

- To create an environment where the effective bilateral communication between the Company and our shareholders and investors both inform and educate through regular, open and transparent provision of relevant and invaluable information over the long-term, which will build mutually beneficial long-term relationships vis-à-vis to foster a clearer understanding of the shareholders' and investors' expectations of the Company.
- To engage in quality dialogue with our shareholders and investors whereby the relationship is based on the principles of honesty, openness and transparency and to foster mutual understanding between the Company and our shareholders and investors.
- To reap the benefits of engaging in quality dialogue:-
 - Perception on our Company's risk is reduced;
 - Enhance feedback of our Company's performance;
 - Our Company's share valuation becomes more realistic;
 - Develop confidence in our Management team and management style; and
 - Works as a guide in the evaluation of our Company's business strategy.

2. INVESTOR COMMUNICATIONS STATEMENT

- To implement an efficient and effective Investor Relations Programme as part of our ongoing shareholders' and investors' communication obligations.
- To provide high quality, meaningful and timely information over and above that is required by law in order to improve the shareholders' and investors' understanding of our Company.
- To strive for key competence in the area of professional investor relations vide adequate resources and capabilities.
- To earn the trust, respect and confidence of our existing shareholders and investors.
- To build and maintain long-term relationships with our existing shareholders and investors.
- To initiate long-term relationship building with potential shareholders and investors.

Our commitment to the above Policy is driven by the Board of Directors of PNHB Group and implemented by the Management.

Investor Relations Policy & Report

cont'd

INVESTOR RELATIONS REPORT

Investor relations is the means by which listed companies maintain dialogue with their existing shareholders and potential investors. It is a strategic management responsibility to present an accurate picture of corporate performance and prospects, thus enabling the investment community, through an informed market, to determine a realistic share price. As a result, investor relations can have a positive impact on the Company's market value and cost of capital relative to its industry sector and the overall economic climate.

The year 2010 had been challenging amidst Puncak Niaga's relentless pursuit to gain leadership in the water industry and to remain focused in achieving our Vision and Mission.

The Board is therefore pleased to report on Puncak Niaga's investor relations activities during 2010 as follows:-

DIALOGUES WITH INVESTORS

The Top Management of the Group actively engages in meetings, dialogues and briefing sessions with local and foreign institutional groups. In 2010, 30 dialogues and group briefing sessions were conducted with existing and potential investors, local and foreign fund managers and financial analysts from research and asset management houses.

INVESTORS' ACCESS TO INFORMATION

In line with our Investor Relations Policy, Puncak Niaga ensures timely disclosure of information over and above the regulatory authorities' disclosure requirements so as to enable the investment community to make careful and informed investment decisions on the Company's securities. Shareholders and investors can contact us at investors@puncakniaga.com.my and access the Group's information and corporate announcements at our website, www.puncakniaga.com.my (with a direct link to www.syabas.com.my) or www.bursamalaysia.com. All announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities") are published shortly after the same is released on Bursa Securities' website. All shareholders' queries will be received by the Group Company Secretary who will provide feedback and responses to shareholders' queries where such information can be made available to the public.

Since 22 October 2004, in our efforts to meet disclosure obligations towards our shareholders, investors and stakeholders, the Group had adopted and implemented the Puncak Niaga Corporate Disclosure Policy (as set out on page 156 of this Annual Report), formulated in line with the 'Guide On Best Practices In Corporate Disclosure' issued by Bursa Securities' Task Force on Corporate Disclosure Best Practices.

Investor Relations Policy & Report

cont'd

ANNUAL GENERAL MEETING (“AGM”)

The Board of Puncak Niaga firmly believes that the AGM is the best forum to promote a closer relationship with our shareholders, enabling us to continue our engagement process with them.

Since 2003, our AGMs have been preceded by a Company Presentation followed by a Question and Answer Session. Our shareholders are updated on the Group's corporate and financial performances, latest developments and issues of concern to the shareholders. This is especially important as we are the water services provider in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya and our shareholders are our consumers. It is Puncak Niaga's way of saying 'We value your views' and 'We are here to serve you better'. At the same time, our shareholders' feedbacks, which are relevant to our operations, are taken into consideration in our business decisions. PNHB's Annual Report in the form of CD-ROM is sent to the entitled shareholders of the Company at least 21 days prior to the AGM as required by the Companies Act, 1965 and the Main Market Listing Requirements of Bursa Securities.

Since 2007, we have set up the PUSPEL customer service counter at a secretariat room at the AGM venue to enable our shareholders to gain online access to SYABAS' water related enquiries. In view of our role as a water services provider, we will continue with this practice at our future AGMs for the benefit of our shareholders.

The 2011 AGM will be held on Monday, 27 June 2011 at the Concorde Hotel Shah Alam. The Notice of AGM is enclosed with this Annual Report. The results of all resolutions proposed at the 2011 AGM will be posted on Bursa Securities' website and the Company's website on the evening of 27 June 2011.

INVESTOR RELATIONS UNIT

The Investor Relations Unit (“IRU”) maintains a database of shareholders and investors who wish to be updated on the Group's corporate developments and performances via e-mail.

Kindly e-mail us your contact details to the attention of Madam Tan Bee Lian, Group Company Secretary at investors@puncakniaga.com.my or by mail at Investor Relations Unit, c/o Secretarial Department, Puncak Niaga Holdings Berhad, 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan, should you wish to be included in our database.

Similarly, to enable us to further improve our level of services to the community and our stakeholders, kindly forward your comments, views and concerns to us at corpcom@puncakniaga.com.my for public enquiries and investors@puncakniaga.com.my for investors' enquiries.

All water-related enquiries in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, such as complaints on water disruptions, pipe bursts or low water pressure, may be addressed to SYABAS Customer Service Centre, puspel@syabas.com.my or the toll-free line, 1-800-88-5252 or SMS 'PUSPEL<space><your complaints/feedback>' to 39222 or the social networks on Twitter and Facebook, [follow@PUSPEL](https://twitter.com/PUSPEL).

Quality Policy & Report

QUALITY POLICY

It is the Policy of Puncak Niaga to provide quality services and products to meet the customer requirements and satisfaction.

Puncak Niaga shall strive to consistently adopt and maintain a quality management system based on all regulated requirements, internationally recognised standard which will ensure a planned, systematic, and proactive approach to quality in all aspects of our work.

Puncak Niaga is also committed in providing a safe, harmonious and conducive working environment and continuously equips our employees with knowledge and skill to improve our quality systematically.

Puncak Niaga Quality Management will be characterised by:-

- A culture of continual improvement and teamwork.
- Pro-activeness at all levels.
- The consistent application of 'Right First Time Every Time' principle.
- Empowerment of personnel to solve problems expeditiously.

All employees shall share the responsibility to understand and diligently implement the Quality Policy.

INNOVATIVE & CREATIVE CIRCLE (ICC) PROGRAMME

The ICC Programme is a platform to measure staff capability in maximising their knowledge and experience to extend creative ideas in solving work-related issues to increase the Company's productivity and cost-benefit.

PNSB's ICC Secretariat ("the Secretariat") had successfully conducted its fifth ICC Programme. The ICC Programme does not only support productivity enhancement, it is also designed as a channel in developing a customer-centric workforce. The ICC Programme may contribute towards the supply of technically skilled, knowledgeable and innovative workforce who possesses important generic skills such as leadership skills, interpersonal effectiveness, thinking skills, personal and professional effectiveness and effective communication skills. The ICC Programme is a reflection of the Company's continuous efforts in enhancing productivity and competitiveness.

For the year 2009-2010 ICC Programme, a total of 13 teams initially participated in the ICC Programme. They comprised 2 teams from the Head Office and 11 teams from the Water Treatment Plants.

Quality Policy & Report

cont'd

Based on the criteria set by Malaysian Productivity Corporation ("MPC") and after careful consideration, the ICC Secretariat shortlisted 8 teams, with the following 8 projects for final presentation:-

1. Poly pipe burst
2. Down time at chlorine plant
3. Choking of lime dosing pipe
4. Wash water pipe at sludge plant not functioning
5. Choking of micro strainer
6. Optimizing alum dosing
7. In-efficient and unsystematic ways of managing staff personal file
8. Cost reduction of lead washer for chlorination system

The 2009-2010 ICC Programme's final presentation was held on 14 April 2011 at Wisma Rozali and the winning projects were:-

1. Down time at chlorine plant
2. Poly pipe burst
3. Choking of lime dosing pipe

The teams also participated in the MPC Mini Convention 2011 held on 26 April 2011 in which we won 3 Gold Awards and 2 Silver Awards.

Three winning teams of previous year session 2008-2009 from SSP2 WTP went on to represent and made the Company proud at the ICC MPC Central Region Convention 2010 on 19 to 20 July 2010 by winning three Gold Awards.

On 7 to 9 October 2010, the three teams won a further three Gold Awards from the ICC MPC National Convention. Following this achievement, one of the three teams, had been invited to participate in the International Convention of Quality & Creative Circle to be held on 11 to 14 September 2011 at Pacifico Yokohama, Japan where they will be presenting their innovative cost saving project, In-stability of Microsand Quantity in the Artfolio Process.

The Company's achievement in ICC activities for 2009-2010 was outstanding and excellent.

Health, Safety and Environmental Policy

It is the policy of Puncak Niaga Holdings Berhad and its subsidiaries (Puncak Niaga Group) to provide, so far as is practicable healthy, safe and environmental friendly workplace for all employees, contractors, visitors, interested members of society and others, and in the spirit of consultation and cooperation, the Management and employees will together strive to achieve goals and objectives of this Policy.

Without prejudice to the generality of the above statement, the Policy of Puncak Niaga Group is:-

- to provide and maintain a healthy, safe and environmental friendly workplace and system of work, and to continually improve its environment and safety performance;
- to continuously emphasize on the prevention of injury, ill health and pollution in all activities;
- to ensure environmental and safety objectives and targets are set and reviewed;
- to ensure all employees are informed, instructed, trained and supervised on how to perform their jobs safely and without risk to health and without any harm to the environment;
- to investigate all occupational health, safety and environment incidents, and to make corrective measures to ensure the incidents will not recur;
- to comply with all legal and other requirements on health, safety and environment and other good practices which the Group subscribes;
- to review this policy as and when appropriate and to ensure it is understood by all employees and is available to all interested parties.

SYABAS'

Corporate

Responsibility

Policy

At Syarikat Bekalan Air Selangor Sdn Bhd (“SYABAS”), there is an underlying and long standing commitment to ethical practice based upon the belief that business can be both profitable and responsible. We have always believed that building meaningful long term relationships with employees, suppliers, and communities is good business practice for us and is what our stakeholders expect of us. This is, and always has been, the founding principle of our commitment to Corporate Responsibility (“CR”). SYABAS recognises both the business imperative and the moral obligation to carry out our activities in a socially responsible and environmentally sustainable manner. Leveraging on our long history of social awareness and charitable work, SYABAS’ aim is to contribute to a sustainable future through:-

ENVIRONMENTAL IMPACTS:

We shall manage development activities in order to minimise the risk of pollution and waste;

EMPLOYEES:

We shall respect the rights and diversity of employees, providing good conditions of work and equal opportunities, improving employee satisfaction, whilst enhancing the intellectual capital of SYABAS continuously through training and development;

ETHICS:

We shall encourage high standards of integrity and professionalism throughout SYABAS and providing a framework to manage the risk of unethical behaviour;

RELATIONSHIPS WITH CONSUMERS:

We shall anticipate and satisfy consumers’ needs and providing a high quality of customer service by registering and resolving consumers’ complaints in accordance to our published Client Charter, Mandatory Level of Services and Concession Agreement;

SUPPLIERS AND PARTNERS:

We shall treat all our suppliers fairly whilst delivering enhanced value and social improvements in partnership with them. We will operate in a way that safeguard against unfair business practices and shall encourage suppliers and contractors to adopt responsible business policies and practices for mutual benefit;

COMMUNITY INVOLVEMENT:

We shall support philanthropic and charitable giving, support for and active engagement with local communities through volunteering and other programmes. We shall also support and encourage our employees to help local community organisations and activities in the areas where we operate in;

ENGAGEMENT WITH STAKEHOLDERS:

We shall listen and engage with local communities and responding positively to requests for information from our stakeholders in a timely and accurate manner.

Distribution Schedule of Equity Securities

As At 29 April 2011

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital : RM1,300,000,000.00
 Issued and Paid-Up Share Capital : RM411,142,895.00 comprising 411,142,895 ordinary shares of RM1.00 each
 Class of Shares : Ordinary shares of RM1.00 each
 Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Shareholders				No. of Shares held							
	Malaysian		Foreigner		Total		Malaysian		Foreigner		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Less than 100	423	5.70	3	0.04	426	5.74	11,594	*	133	*	11,727	*
100 - 1,000	1,319	17.76	16	0.22	1,335	17.98	965,478	0.24	10,445	*	975,923	0.24
1,001 - 10,000	4,611	62.09	84	1.13	4,695	63.22	14,844,511	3.63	332,921	0.08	15,177,432	3.71
10,001 - 100,000	776	10.45	43	0.58	819	11.03	23,216,705	5.67	1,535,222	0.38	24,751,927	6.05
100,001 - 20,455,304 (less than 5% of the issued share capital)	122 [#]	1.64 [#]	22	0.30	144 [#]	1.94 [#]	144,569,567 [#]	35.34 [#]	24,881,157	6.08	169,450,724 [#]	41.42 [#]
20,455,305 (5% of the issued share capital) and above	6	0.08	1	0.01	7	0.09	170,625,912	41.71	28,112,450	6.87	198,738,362	48.58
Total	7,257[#]	97.72[#]	169	2.28	7,426[#]	100.00[#]	354,233,767[#]	86.59[#]	54,872,328	13.41	409,106,095[#]	100.00[#]

Notes:

* Negligible.

[#] Excluding a total of 2,036,800 PNHB shares bought back by PNHB and retained as treasury shares as at 29 April 2011.

LIST OF TOP THIRTY SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositors)

No.	Name of Shareholder	No. of Shares Held	% of Issued and Paid-Up Share Capital #
1.	CIMB Group Nominees (Tempatan) Sdn Bhd - WWE Holdings Bhd For Corporate Line (M) Sdn Bhd (49988 JTRK)	39,000,000	9.53
2.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Central Plus (M) Sdn Bhd (681055)	33,000,700	8.07
3.	Citigroup Nominess (Tempatan) Sdn Bhd - Employees Provident Fund Board	29,815,385	7.29

Note:

[#] Excluding a total of 2,036,800 PNHB shares bought back by PNHB and retained as treasury shares as at 29 April 2011.

Distribution Schedule of Equity Securities

As At 29 April 2011

cont'd

No.	Name of Shareholder	No. of Shares Held	% of Issued and Paid-Up Share Capital #
4.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For JPMorgan Chase Bank, National Association (Bermuda)	28,112,450	6.87
5.	AmanahRaya Trustees Berhad - Amanah Saham Wawasan 2020	26,210,240	6.41
6.	AmSec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account - AmBank (M) Berhad For Central Plus (M) Sdn Bhd	21,920,000	5.36
7.	UOBM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Central Plus (M) Sdn. Bhd. (PCB)	19,900,000	4.86
8.	Central Plus (M) Sdn Bhd	18,941,337	4.63
9.	HLG Nominee (Tempatan) Sdn Bhd - Pledged Securities Account For Central Plus (M) Sdn. Bhd.	16,300,000	3.98
10.	Lembaga Tabung Haji	14,108,700	3.45
11.	AmSec Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad For Central Plus (M) Sdn Bhd (CS-CPlus)	11,918,200	2.91
12.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (KIB)	11,149,900	2.72
13.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For American International Assurance Berhad	10,302,400	2.52
14.	HSBC Nominees (Asing) Sdn Bhd - BNY Brussels For Powershares Global Water Portfolio	9,381,800	2.29
15.	HSBC Nominees (Asing) Sdn Bhd - Exempt An For Morgan Stanley & Co. Incorporated	7,373,290	1.80
16.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (NOMURA)	5,000,000	1.22
17.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An For Prudential Fund Management Berhad	4,812,800	1.18

Note:

Excluding a total of 2,036,800 PNHB shares bought back by PNHB and retained as treasury shares as at 29 April 2011.

Distribution Schedule of Equity Securities

As At 29 April 2011

cont'd

No. Name of Shareholder	No. of Shares Held	% of Issued and Paid-Up Share Capital #
18. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	4,717,200	1.15
19. ECML Nominees (Tempatan) Sdn. Bhd - Pledged Securities Account For Ng Yim Hoo (001)	2,979,600	0.73
20. AmanahRaya Trustees Berhad - Public Islamic Select Treasures Fund	2,571,800	0.63
21. Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Corporate Line (M) Sdn Bhd (41210162038A)	2,500,000	0.61
22. Permodalan Nasional Berhad	2,110,200	0.52
23. AmanahRaya Trustees Berhad - Public Islamic Opportunities Fund	2,015,000	0.49
24. Corporate Line (M) Sdn Bhd	1,818,627	0.44
25. Central Plus (M) Sdn Bhd	1,738,250	0.42
26. Rozali Bin Ismail	1,729,000	0.42
27. KAF Trustee Berhad - KAF Fund Management Sdn Bhd For KAF Seagroatt & Campbell Berhad	1,660,040	0.41
28. Citigroup Nominees (Asing) Sdn Bhd - UBS AG	1,575,985	0.39
29. Employees Provident Fund Board	1,494,000	0.37
30. AmanahRaya Trustees Berhad CIMB Islamic Equity Aggressive Fund	1,470,400	0.36
Total	335,627,304	82.03

Note:

Excluding a total of 2,036,800 PNHB shares bought back by PNHB and retained as treasury shares as at 29 April 2011.

Distribution Schedule of Equity Securities

As At 29 April 2011

cont'd

DIRECTORS' INTEREST IN ORDINARY SHARES AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Director	No. of Shares Held in the Company			
		Direct Interest	%#	Indirect Interest	%#
1.	YBhg Tan Sri Rozali Bin Ismail	1,729,000	0.42	167,037,114 ⁺	40.83 ⁺
2.	YBhg Dato' Hashim Bin Mahfar	–	–	–	–
3.	YBhg Dato' Ruslan Bin Hassan	–	–	–	–
4.	YBhg Dato' Ir Lee Miang Koi	10,000	*	–	–
5.	YBhg Dato' Syed Danial Bin Syed Ariffin	–	–	–	–
6.	YBhg Tan Sri Dato' Hari Narayanan Govindasamy	–	–	–	–
7.	YBhg Tan Sri Dato' Seri Dr Ting Chew Peh	–	–	42,000 [^]	0.01 [^]
8.	Mr Ng Wah Tar	–	–	–	–
9.	YAM Tengku Dato' Rahimah Binti Almarhum Sultan Mahmud	–	–	–	–
10.	YBhg Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak	–	–	–	–

Notes:

⁺ Deemed interest by virtue of 100% equity interest each in Central Plus (M) Sdn Bhd and Corporate Line (M) Sdn Bhd of which 92.5% is held in own name and 7.5% is held in his children's names, respectively.

[^] Deemed interest by virtue of shares held by spouse, Tay Boon Ling pursuant to Section 134 of the Companies Act, 1965.

[#] Excluding a total of 2,036,800 PNHB Shares bought back and retained as treasury shares as at 29 April 2011.

* Negligible.

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

(Excluding bare trustees)

No.	Name of Substantial Shareholder	No. of Shares Held in the Company			
		Direct Interest	%#	Indirect Interest	%#
1.	YBhg Tan Sri Rozali Ismail	1,729,000	0.42	167,037,114 ⁺	40.83 ⁺
2.	Central Plus (M) Sdn Bhd	20,679,587	5.05	103,038,900*	25.19*
3.	Corporate Line (M) Sdn Bhd	1,818,627	0.44	41,500,000*	10.14*
4.	Employees Provident Fund Board	1,494,000	0.37	45,918,485 [^]	11.22 [^]
5.	Utilico Emerging Markets Limited	–	–	28,112,450*	6.87*
6.	AmanahRaya Trustees Berhad - Amanah Saham Wawasan 2020	26,210,240	6.41	–	–

Notes:

⁺ Deemed interest by virtue of 100% equity interest each in Central Plus (M) Sdn Bhd and Corporate Line (M) Sdn Bhd of which 92.5% is held in own name and 7.5% is held in his children's names, respectively.

* Held in nominee name(s).

[^] Shares held and managed by Portfolio Managers.

[#] Excluding a total of 2,036,800 PNHB Shares bought back and retained as treasury shares as at 29 April 2011.

List of Properties

As At 31 December 2010

Description & Location	Date of Acquisition	Land Area	Net Book Value (RM)	Tenure	Remaining Leasehold (Expiry Date)	Existing Use
Building						
Wisma Rozali No. 4 & 6, Persiaran Sukan Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	01/08/2005	12,952 sq.m	38,440,469	99 years Leasehold	92 years expiring on 22/01/2102	Office Premises
Office Lots						
No. 8 Eu Tong Sen Street # 22-85, The Central Singapore 059818	03/10/2008	86 sq.m	9,559,243	99 years Leasehold	89 years expiring on 01/01/2100	Office Premises
No. 8 Eu Tong Sen Street # 22-86, The Central Singapore 059818	26/09/2008	60 sq.m		99 years Leasehold	89 years expiring on 01/01/2100	Office Premises
Vacant Land						
H.S.(D) 142037 PT 32, Seksyen 14 Bandar Shah Alam District of Petaling Selangor Darul Ehsan	14/02/1998	10,364 sq.m	7,579,166	99 years Leasehold	89 years expiring on 17/12/2099	Rented out to a car park operator
Vacant Land						
H.S.(D) 226605, PT 332 H.S.(D) 226606, PT 333 H.S.(D) 226607, PT 334 Mukim Pekan Subang Jaya Daerah Petaling Selangor Darul Ehsan	06/04/2006 06/04/2006 06/04/2006	691 sq.m 711 sq.m 862 sq.m	1,267,188	Freehold	N/A	None
Vacant Land						
H.S.(D) 6163, PT 10653 H.S.(D) 6164, PT 10654 H.S.(D) 6165, PT 10655 # H.S.(D) 6166, PT 10656 Mukim Of Ijok District Of Kuala Selangor Selangor Darul Ehsan	16/2/2007	331,438 sq.m 213,092 sq.m 229,299 sq.m 229,733 sq.m	58,063,891	99 years Leasehold	91 years expiring on 24/10/2101	None None Rented out None

Included a single storey building complete with parking facilities

List of Properties

As At 31 December 2010

cont'd

Description & Location	Date of Acquisition	Land Area	Net Book Value (RM)	Tenure	Remaining Leasehold (Expiry Date)	Existing Use
4 Storey Shophouse No. 12, Jalan Todak 5 Pusat Bandar Seberang Jaya 13700 Prai Pulau Pinang	21/3/2007	238 sq.m	1,767,343	99 years Leasehold	82 years expiring on 21/10/2092	Office Premises
Office Lot No. 20 Jln Presiden UIF Accentra Business Park 40150 Glenmarie, Shah Alam (Lot P.T. 547, H.S (D) 224581 District of Petaling Selangor Darul Ehsan)	01/02/2008	1,765 sq ft	1,782,500	Freehold	N/A	Office Premises
Vacant Land No.8 Lorong Pandan Off Jln Mahmud Kuala Terengganu (Lot 2119, Mukim of Batu Buruk District of Kuala Terengganu, Terengganu Darul Iman)	02/07/2008	22,154 sq ft	1,107,700	Freehold	N/A	None
Vacant Land H.S.(D) 2605, PT 1563 Mukim Jeram District Of Kuala Selangor Selangor Darul Ehsan	01/08/2010	159,996 sq.m	14,738,676	99 years Leasehold	85 years expiring on 01/12/2095	None

Statement of Directors' Responsibility for Preparation of Financial Statements

The financial statements of the Group and Company have been drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Directors take responsibility in ensuring that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

In preparing the financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been followed; and
- Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made appropriate enquiries, that material uncertainties which may cast significant doubts on the ability of the Group and the Company to continue as going concern, will be resolved in a timely and favourable manner, as disclosed in Note 2.1 of the financial statements.

The Directors have the responsibility for ensuring that the Company keeps accounting records, which discloses with reasonable accuracy, the financial position of the Group and Company and which enables them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Board has the overall responsibility to take all steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect frauds and other irregularities.



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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 2010:

“ABASS”	:	Konsortium ABASS Sdn Bhd
“BACP”	:	Bai Bithaman Ajil Commercial Papers
“BAIDS”	:	RM1,020,000,000 10-Year Al-Bai' Bithaman Ajil Islamic Debt Securities Primary Bonds together with Non-Detachable Secondary Bonds
“BAMTN”	:	Bai Bithaman Ajil Medium Term Notes
“BIMB”	:	Bank Islam Malaysia Berhad
“BOT”	:	Build Operate Transfer
“BPMB”	:	Bank Pembangunan Malaysia Berhad
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“BSR”	:	Bulk Supply Rate
“CCOA”	:	Construction Cum Operation Agreement
“CGU”	:	Cash Generating Unit
“CIMB”	:	Commerce International Merchant Bankers Berhad
“CIMB Bank”	:	CIMB Bank Berhad
“CLMSB”	:	Corporate Line (M) Sdn Bhd
“Company”	:	Puncak Niaga Holdings Berhad
“CPMSB”	:	Central Plus (M) Sdn Bhd
“Distribution Area”	:	the State of Selangor, the Federal Territories of Kuala Lumpur and Putrajaya
“DSRA”	:	Debt Service Reserve Account
“EHPL”	:	Environmental Holding Pte Ltd
“EPF”	:	Employees Provident Fund
“Federal Government”	:	Government of Malaysia
“FRS”	:	Financial Reporting Standards
“GESL”	:	Global Environmental Solutions Ltd
“Group”	:	Puncak Niaga Holdings Berhad Group of Companies
“Hebei Sino”	:	Hebei Sino Panlong Industrial Water Supply Co Ltd
“HSBC”	:	HSBC Bank Malaysia Berhad
“IRB”	:	Inland Revenue Board
“JAKS-KDEB”	:	JAKS-KDEB Consortium Sdn Bhd
“JNA”	:	Junior Notes A, the 2001/2016 15-Year Redeemable Unconvertible Junior Notes issued by PNSB
“JVA”	:	Joint Venture Agreement
“KDEB”	:	Kumpulan Darul Ehsan Berhad
“KHEC”	:	Kris Heavy Engineering & Construction Sdn Bhd
“Konajaya”	:	Konajaya Sdn Bhd
“KeTTHA”	:	Kementerian Tenaga, Teknologi Hijau dan Air
“Luancheng”	:	Luancheng Dayu Water Supply Co Ltd
“LUWEI”	:	Luwei (Pingdingshan) Water Co Ltd

Definitions

cont'd

“MCPs”	:	Al-Murabahah Commercial Papers
“MMTNs”	:	Al-Murabahah Medium Term Notes
“MOF”	:	Minister of Finance, Incorporated
“MoU”	:	Memorandum of Understanding
“NA”	:	Not Applicable
“NBV”	:	Net Book Value
“NRW”	:	Non Revenue Water Works
“O&M”	:	Operations & Maintenance
“Oasis Water”	:	Oasis Water Resources Sdn Bhd
“PCCA”	:	Privatisation Cum Concession Agreement
“PNOC”	:	Puncak Niaga Overseas Capital Pte Ltd
“PNSB”	:	Puncak Niaga (M) Sdn Bhd
“POG”	:	Puncak Oil & Gas Sdn Bhd
“PRC”	:	People’s Republic of China
“PUAS”	:	Perbadanan Urus Air Selangor Berhad
“RCULS”	:	Redeemable Convertible Unsecured Loan Stocks of SYABAS
“RM”	:	Ringgit Malaysia
“RMB”	:	Chinese Renminbi
“RPS”	:	Redeemable Cumulative Preference Shares of SYABAS
“RUBs”	:	RM435,000,000 Nominal Value Ten (10)-Year Redeemable Unsecured Bonds of PNSB
“RUN”	:	2001/2016 15-Year Redeemable Unconvertible Junior Notes issued pursuant to the RUN issue
“RZ Management”	:	RZ Management Services Sdn Bhd
“Serba Tiara”	:	Serba Tiara Sdn Bhd
“SGD”	:	Singapore Dollar
“SINO”	:	Sino Water Pte Ltd
“Sino Water (Shanghai)”	:	Sino Water Environmental Consultancy (Shanghai) Co. Ltd
“SPLASH”	:	Syarikat Pengeluar Air Sungai Selangor Sdn Bhd
“SSP 2”	:	Sungai Selangor Water Supply Scheme Phase 2, Stages I and II
“State Government”	:	State Government of Selangor
“SYABAS”	:	Syarikat Bekalan Air Selangor Sdn Bhd
“SYABAS Concession Agreement”	:	Concession Agreement dated 15 December 2004 between SYABAS, the Federal Government and the State Government
“USD”	:	United States Dollar
“XINNUO”	:	Xinnuo Water (Binzhou) Co. Ltd

Directors' Report

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Group is primarily engaged in the treatment and distribution of treated water to consumers in the State of Selangor, the Federal Territories of Kuala Lumpur and Putrajaya and in the PRC. The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no other significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(loss) net of tax	189,599,940	(183,197)
Profit/(loss) attributable to:		
Owners of the parent	119,511,598	(183,197)
Minority interests	70,088,342	-
	189,599,940	(183,197)

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 the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which resulted in the increase in profit net of tax by RM10,267,684 as disclosed in Note 2.2 to the financial statements and FRS 120 Accounting for Government Grants and Disclosure of Government Assistance which resulted in the decrease of profit net of tax by RM4,521,490 as disclosed in Note 2.2 and Note 30(k).

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2009 were as follows:

In respect of the financial year ended 31 December 2009 as approved by the shareholders of the Company:

	RM
Final single tier dividend of 10 sen per share on 409,106,095 ordinary shares of RM1.00 each, paid on 3 August 2010	40,910,609

The directors do not recommend any payment of dividend for the current financial year.

Directors'

Report

cont'd

DIRECTORS

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' Hashim bin Mahfar
 Dato' Ruslan bin Hassan
 Dato' Ir Lee Miang Koi
 Dato' Syed Danial bin Syed Ariffin
 Ng Wah Tar
 Tan Sri Dato' Hari Narayanan a/l Govindasamy
 Tan Sri Dato' Seri Dr Ting Chew Peh
 Tengku Dato' Rahimah binti Almarhum Sultan Mahmud
 Tan Sri Dato' Ahmad Fuzi bin Haji Abdul Razak

In accordance with Article 98 of the Company's Articles of Association, YBhg Tan Sri Rozali bin Ismail, YBhg Tan Sri Dato' Hari Narayanan a/l Govindasamy and YBhg Tan Sri Dato' Ahmad Fuzi bin Haji Abdul Razak shall retire from office by rotation at the forthcoming Fourteenth Annual General Meeting of the Company and, being eligible, had offered themselves for re-election.

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 or debenture of 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 or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) 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 for Tan Sri Rozali bin Ismail who has deemed interests in a related party, RZ Management, which provides corporate secretarial services to the Group.

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 RUN in the Company and its related corporations during the financial year were as follows:

Name of director	Number of ordinary shares of RM1.00 Each			
	1.1.2010	Acquired	Sold	31.12.2010
<i>Direct Interest:</i>				
<i>Ordinary shares of the Company</i>				
Tan Sri Rozali bin Ismail	1,729,000	–	–	1,729,000
Dato' Ir Lee Miang Koi	10,000	–	–	10,000
<i>Deemed Interest:</i>				
<i>Ordinary shares of the Company</i>				
Tan Sri Rozali bin Ismail	167,037,114 *	–	–	167,037,114 *
Tan Sri Dato' Seri Dr Ting Chew Peh	42,000 **	–	–	42,000 **

Directors' Report

cont'd

DIRECTORS' INTERESTS (CONT'D)

Name of director	1.1.2010	RUN in RM		31.12.2010
		Acquired	Sold	
<i>Direct Interest:</i>				
<i>RUN of the Company</i>				
Dato' Ruslan bin Hassan	708,125	–	–	708,125
Dato' Ir Lee Miang Koi	39,900	–	–	39,900
<i>Deemed Interest:</i>				
<i>RUN of the Company</i>				
Tan Sri Rozali bin Ismail	5,145,087 ^^	–	–	5,145,087 ^^

* Deemed interest by virtue of 100% shareholding interest in both CPMSB, a substantial corporate shareholder, and in CLMSB, a substantial corporate shareholder of the Company, of which 92.5% is held in his own name and 7.5% in his children's names.

** Deemed interest by virtue of shares held by spouse, Tay Boon Ling pursuant to Section 134 of the Companies Act, 1965.

^^ Deemed interest by virtue of 100% shareholding interest in CLMSB, of which 92.5% is held in his own name and 7.5% in his children's names.

None of the other directors in office at the end of the financial year had any interest in shares and RUN in the Company or its related corporations during the financial year.

HOLDING COMPANY

The Company has no corporate shareholder being regarded by the directors of the Company as the ultimate holding company nor as the holding company.

OTHER STATUTORY INFORMATION

- (a) Before the income statements, statement of comprehensive income and statements of financial position 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 which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors'

Report

cont'd

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the directors are not aware of any circumstances 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.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or 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 or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) except has disclosed in Note 2.1 and Note 48, 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 or 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 or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to significant events disclosed elsewhere in this report, other significant events are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 47 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.

TAN SRI ROZALI BIN ISMAIL

DATO' HASHIM BIN MAHFAR

Statement by Directors

Pursuant to Section 169 (15)
of the Companies Act, 1965

We, Tan Sri Rozali bin Ismail and Dato' Hashim bin Mahfar, being two of the directors of Puncak Niaga Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 215 to 354 are drawn up in accordance with 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 the Company as at 31 December 2010 and of its financial performance and cash flows for the year then ended.

The information set out in Note 52 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.

TAN SRI ROZALI BIN ISMAIL

DATO' HASHIM BIN MAHFAR

Statutory Declaration

Pursuant to Section 169 (16)
of the Companies Act, 1965

I, Wong Ley Chan, being the officer primarily responsible for the financial management of Puncak Niaga Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 215 to 355 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 **WONG LEY CHAN**
at Shah Alam in the State of Selangor
on 26 April 2011.

WONG LEY CHAN

Before me,

SULAIMAN BIN ZAHARI
(No. B233)
Commissioner for Oaths

Independent Auditors' Report

to the member of Puncak Niaga Holdings
Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Puncak Niaga Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 215 to 354.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 judgment, 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 and fair presentation of the financial statements 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 the 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.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with 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 2010 and of their financial performance and cash flows for the year then ended.

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

- (i) Notes 3.2 and Note 48(g) to the financial statements which describes the uncertainty relating to the outcome of the lawsuit filed by a subsidiary of the Company, SYABAS against the Selangor State Government for the recovery of the water tariff compensation.
- (ii) Note 2.1 to the financial statements which indicates that as at 31 December 2010, the Group reported a net current liabilities of RM94,582,928. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Independent Auditors' Report

to the member of Puncak Niaga
Holdings Berhad (Incorporated in Malaysia)
cont'd

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 subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of the subsidiaries which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

The supplementary information set out in Note 52 on page 355 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

ERNST & YOUNG
AF: 0039
CHARTERED ACCOUNTANTS

GEORGE KOSHY
NO.1846/07/11(J)
CHARTERED ACCOUNTANT

Kuala Lumpur, Malaysia
26 April 2011

Income Statements

For the financial year
ended 31 December 2010

	Note	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Revenue	5	1,911,514,199	1,886,999,646	-	-
Other income	6(a)	121,424,650	98,204,135	72,337,380	73,222,399
Items of expense					
Raw materials, consumables and maintenance		(473,230,603)	(443,661,029)	-	-
Construction contract expense		(7,449,295)	(16,888,878)	-	-
Employee benefits expense	8	(235,461,868)	(211,015,882)	-	-
Other expenses	6(b)	(148,893,623)	(143,061,587)	(12,190,488)	(4,837,413)
Depreciation and amortisation expense	6(c)	(525,174,108)	(508,995,581)	(850,844)	(670,050)
Finance costs	10	(374,283,077)	(349,126,502)	(55,602,036)	(57,050,971)
Share of results					
- Associates	17	(1,921)	-	-	-
- Joint venture	18	(76,234)	151,414	-	-
Profit before tax	6	268,368,120	312,605,736	3,694,012	10,663,965
Income tax expense	11	(78,768,180)	(84,849,679)	(3,877,209)	(3,986,316)
Profit/(loss) net of tax		189,599,940	227,756,057	(183,197)	6,677,649
Profit/(loss) attributable to:					
Owners of the parent		119,511,598	142,319,723	(183,197)	6,677,649
Minority interests		70,088,342	85,436,334	-	-
		189,599,940	227,756,057	(183,197)	6,677,649
Earnings per share attributable to owners of the parent (sen per share)					
Basic	12	29.21	34.79		
Diluted	12	N/A	N/A		

Statements of Comprehensive Income

For the financial year ended
31 December 2010

	Note	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Profit/(loss) net of tax		189,599,940	227,756,057	(183,197)	6,677,649
Other comprehensive expenses:					
Foreign currency translation		(4,465,040)	(264,427)	-	-
Total comprehensive income/(loss) for the year		185,134,900	227,491,630	(183,197)	6,677,649
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		115,290,243	142,083,384	(183,197)	6,677,649
Minority interests		69,844,657	85,408,246	-	-
		185,134,900	227,491,630	(183,197)	6,677,649

Statements of Financial Position

As at 31 December 2010

	Note	Group			Company		
		2010 RM	2009 RM (Restated)	As at 1.1.2009 RM (Restated)	2010 RM	2009 RM (Restated)	As at 1.1.2009 RM (Restated)
Assets							
Non-current assets							
Property, plant and equipment	13	1,609,713,329	1,597,240,964	1,637,664,713	7,620,310	7,831,679	8,080,916
Investment property	14	–	–	–	9,559,243	10,608,788	10,535,399
Project development expenditure	15	4,497,424,223	3,994,674,341	3,463,997,085	–	–	–
Investment in subsidiaries	16	–	–	–	463,110,960	453,907,005	453,907,005
Investment in associates	17	39,738	40,504	43,821	44,339	43,184	46,501
Investment in joint venture	18	5,634,957	5,659,878	8,571,979	2,476,927	1,892,119	3,044,003
Held-to-maturity financial assets	19	–	–	–	254,152,376	482,653,627	481,021,169
DSRA	21	297,271,081	278,605,809	362,419,799	–	–	–
Goodwill	22	514,873,012	515,312,455	511,072,350	–	–	–
Other receivables	23	284,706,684	367,966,000	405,616,000	–	16,733,353	16,733,353
		7,209,663,024	6,759,499,951	6,389,385,747	736,964,155	973,669,755	973,368,346
Current assets							
Inventories	28	16,512,346	13,858,726	14,828,144	–	–	–
Held-to-maturity financial assets	19	–	–	–	285,568,993	54,687,500	54,687,500
Trade and other receivables	23	1,148,918,467	740,550,969	297,201,171	63,763,440	53,672,895	190,831,811
Other current assets	24	15,271,805	21,931,409	25,009,752	8,912,100	8,912,100	14,797,380
Available-for-sales investments	25	–	4,601,661	3,401,310	–	–	–
Tax recoverable		653,790	2,135,308	972,072	–	–	360,041
Short term funds	26	35,231	30,329,949	–	–	–	–
Cash and bank balances	29	1,215,266,678	1,186,201,882	1,047,470,722	180,088,126	239,328,051	135,844,758
		2,396,658,317	1,999,609,904	1,388,883,171	538,332,659	356,600,546	396,521,490
Total assets		9,606,321,341	8,759,109,855	7,778,268,918	1,275,296,814	1,330,270,301	1,369,889,836
Equity and liabilities							
Current liabilities							
Loans and borrowings	30	806,392,097	395,665,240	396,202,404	285,568,993	54,687,500	54,687,500
Trade and other payables	31	1,664,147,375	1,118,870,623	993,871,632	35,872,702	43,812,760	43,639,017
Other current liabilities	32	6,546,029	4,161,411	1,520,731	–	–	–
Tax payable		14,155,744	26,447,964	25,822,751	228,041	363,297	–
		2,491,241,245	1,545,145,238	1,417,417,518	321,669,736	98,863,557	98,326,517
Net current (liabilities)/assets		(94,582,928)	454,464,666	(28,534,347)	216,662,923	257,736,989	298,194,973

Statements of Financial Position

As at 31 December 2010

cont'd

	Note	Group			Company		
		2010 RM	2009 RM (Restated)	As at 1.1.2009 RM (Restated)	2010 RM	2009 RM (Restated)	As at 1.1.2009 RM (Restated)
Non-current liabilities							
Loans and borrowings	30	4,680,571,099	4,981,104,072	4,388,599,987	–	239,414,063	247,856,369
Other payables	31	29,018,622	28,909,151	13,425,403	–	–	–
Government grant	33	288,869,548	242,232,954	244,351,716	–	–	–
Deferred tax liabilities	34	280,434,148	223,074,603	164,826,595	10,538,094	7,809,891	5,291,200
		5,278,893,417	5,475,320,780	4,811,203,701	10,538,094	247,223,954	253,147,569
Total liabilities		7,770,134,662	7,020,466,018	6,228,621,219	332,207,830	346,087,511	351,474,086
Net assets		1,836,186,679	1,738,643,837	1,549,647,699	943,088,984	984,182,790	1,018,415,750
Equity attributable to owners of the parent							
Share capital	35	411,142,895	411,142,895	411,142,895	411,142,895	411,142,895	411,142,895
Share premium	35	102,878,221	102,878,221	102,878,221	102,878,221	102,878,221	102,878,221
Treasury shares	35	(5,940,688)	(5,940,688)	(5,940,688)	(5,940,688)	(5,940,688)	(5,940,688)
Foreign currency translation reserve	35	(3,837,190)	384,165	620,504	–	–	–
Retained earnings	36	997,188,257	965,336,829	863,927,715	435,008,556	476,102,362	510,335,322
		1,501,431,495	1,473,801,422	1,372,628,647	943,088,984	984,182,790	1,018,415,750
Minority interests		334,755,184	264,842,415	177,019,052	–	–	–
Total equity		1,836,186,679	1,738,643,837	1,549,647,699	943,088,984	984,182,790	1,018,415,750
Total equity and liabilities		9,606,321,341	8,759,109,855	7,778,268,918	1,275,296,814	1,330,270,301	1,369,889,836

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended
31 December 2010

Note	Equity, total RM	Equity attributable to owners of the parent, total RM	Attributable to owners of the parent				Foreign currency translation reserve RM	Retained earnings RM	Minority interests RM
			Non-distributable		Distributable				
			Share capital RM	Share premium RM	Treasury shares RM				
2010 Group									
Opening balance at 1 January 2010	1,738,643,837	1,473,801,422	411,142,895	102,878,221	(5,940,688)	384,165	965,336,829	264,842,415	
Effects of adopting FRS 139	2.2 (46,749,561)	(46,749,561)	-	-	-	-	(46,749,561)	-	
	1,691,894,276	1,427,051,861	411,142,895	102,878,221	(5,940,688)	384,165	918,587,268	264,842,415	
Total comprehensive income	185,134,900	115,290,243	-	-	-	(4,221,355)	119,511,598	69,844,657	
Transactions with owners									
Acquisition of additional equity interests in subsidiary	16(b) 68,112	-	-	-	-	-	-	68,112	
Dividends on ordinary shares	44 (40,910,609)	(40,910,609)	-	-	-	-	(40,910,609)	-	
Total transactions with owners	(40,842,497)	(40,910,609)	-	-	-	-	(40,910,609)	68,112	
Closing balance at 31 December 2010	1,836,186,679	1,501,431,495	411,142,895	102,878,221	(5,940,688)	(3,837,190)	997,188,257	334,755,184	
2009 Group									
Opening balance at 1 January 2009	1,550,299,849	1,372,580,140	411,142,895	102,878,221	(5,940,688)	620,504	863,879,208	177,719,709	
Reclassification	49 (652,150)	48,507	-	-	-	-	48,507	(700,657)	
	1,549,647,699	1,372,628,647	411,142,895	102,878,221	(5,940,688)	620,504	863,927,715	177,019,052	
Total comprehensive income	227,491,630	142,083,384	-	-	-	(236,339)	142,319,723	85,408,246	
Transactions with owners									
Minority's share of interests in newly acquired subsidiaries	2,415,117	-	-	-	-	-	-	2,415,117	
Dividends on ordinary shares	44 (40,910,609)	(40,910,609)	-	-	-	-	(40,910,609)	-	
Total transactions with owners	(38,495,492)	(40,910,609)	-	-	-	-	(40,910,609)	2,415,117	
Closing balance at 31 December 2009	1,738,643,837	1,473,801,422	411,142,895	102,878,221	(5,940,688)	384,165	965,336,829	264,842,415	

Statements of Changes in Equity

For the financial year ended
31 December 2010

cont'd

	Note	Equity, total RM	Share capital RM	Non-Distributable Share premium RM	Treasury shares RM	Distributable Retained earnings RM
2010						
Company						
Opening balance at 1 January 2010		984,182,790	411,142,895	102,878,221	(5,940,688)	476,102,362
Total comprehensive loss		(183,197)	-	-	-	(183,197)
Transaction with owners						
Dividends on ordinary shares	44	(40,910,609)	-	-	-	(40,910,609)
Closing balance at 31 December 2010		943,088,984	411,142,895	102,878,221	(5,940,688)	435,008,556
2009						
Company						
Opening balance at 1 January 2009		1,018,415,750	411,142,895	102,878,221	(5,940,688)	510,335,322
Total comprehensive income		6,677,649	-	-	-	6,677,649
Transaction with owners						
Dividends on ordinary shares	44	(40,910,609)	-	-	-	(40,910,609)
Closing balance at 31 December 2009		984,182,790	411,142,895	102,878,221	(5,940,688)	476,102,362

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows

For the financial year ended
31 December 2010

	Note	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Operating activities					
Receipts from customers		1,544,046,826	1,443,531,282	-	-
Other income		63,059,024	63,691,684	60,000	60,000
Payments to water treatment operators		(415,382,482)	(627,183,474)	-	-
Dividends received		-	-	-	150,000,000
Payments for operating expenses		(576,722,487)	(643,890,987)	(5,299,909)	(3,451,990)
Payments to contractors		(18,800,074)	(33,353,674)	-	-
Net cash generated from/ (used in) operations	40	596,200,807	202,794,831	(5,239,909)	146,608,010
Net deposits received		8,376,843	29,971,042	-	-
Interest paid		(252,000,804)	(246,017,494)	(9,544,092)	(10,937,493)
Tax paid		(31,986,409)	(27,108,054)	(1,284,261)	(744,286)
Interest received		29,454,923	25,871,296	14,587,384	16,175,498
		(246,155,447)	(217,283,210)	3,759,031	4,493,719
Net cash inflow/(outflow) from operating activities		350,045,360	(14,488,379)	(1,480,878)	151,101,729
Investing activities					
Acquisition of subsidiaries	16(d)	-	(5,028,553)	(900,002)	-
Incorporation of a subsidiary		-	(2,817,197)	-	-
Purchase of property, plant and equipment		(56,687,466)	(9,450,823)	-	-
Purchase of investment property		-	-	(42,473)	(494,202)
Project development expenditure		(327,595,354)	(362,336,080)	-	-
Net advances to subsidiaries		-	-	(14,770,000)	(6,207,827)
Net advance (to)/from associate	17	(1,155)	3,317	(1,155)	3,317
Net advance (to)/from joint venture	18	(601,313)	2,492,515	(1,134,808)	(9,115)
Purchase of unquoted investments	25	(80,000,000)	-	-	-
Proceeds from redemption of Junior Notes A		-	-	54,687,500	54,687,500
Disposal of unquoted investments	25	86,509,434	-	-	-
Proceeds from disposal of property, plant and equipment		571,552	400,588	-	-
Net cash (outflow)/inflow from investing activities		(377,804,302)	(376,736,233)	37,839,062	47,979,673
Financing activities					
Proceeds from loan and borrowings		11,919,867	370,849,228	-	-
Issuance of RPS		131,600,000	213,800,000	-	-
Dividend paid		(40,910,609)	(40,910,609)	(40,910,609)	(40,910,609)
Repayment of loan and borrowings		(61,499,798)	(61,301,382)	(54,687,500)	(54,687,500)
Repayment of obligation under finance leases		(6,042,069)	(5,762,122)	-	-
Net cash inflow/(outflow) from financing activities		35,067,391	476,675,115	(95,598,109)	(95,598,109)

Statements of Cash Flows

For the financial year ended
31 December 2010

cont'd

	Note	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Net increase/(decrease) in cash and cash equivalents		7,308,449	85,450,503	(59,239,925)	103,483,293
Effects of exchange rate changes on cash and cash equivalents		(773,099)	(203,384)	-	-
Cash and cash equivalents at 1 January		1,216,531,831	1,047,470,722	239,328,051	135,844,758
Transfer (to)/from DSRA	21	(7,765,272)	83,813,990	-	-
Deposits held in trust	29	(162,150,214)	(140,585,732)	-	-
Cash and cash equivalents at 31 December		1,053,151,695	1,075,946,099	180,088,126	239,328,051
Cash and cash equivalents comprise:					
Deposits with licensed banks		1,151,081,295	1,089,977,518	172,211,766	239,169,111
Less: Deposits held in trust	29	(162,150,214)	(140,585,732)	-	-
		988,931,081	949,391,786	172,211,766	239,169,111
Cash and bank balances		64,185,383	96,224,364	7,876,360	158,940
Short term funds	26	35,231	30,329,949	-	-
		1,053,151,695	1,075,946,099	180,088,126	239,328,051

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended
31 December 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Securities. The registered office of the Company is located at 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan.

The Company has no corporate shareholder being regarded by the directors of the Company as the ultimate holding company nor as the holding company.

The Group is primarily engaged in the treatment and distribution of treated water to consumers in the State of Selangor, the Federal Territories of Kuala Lumpur and Putrajaya and in the PRC. The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are disclosed in Note 16.

There have been no other significant changes in the nature of the principal activities during the financial year other than those arising from the acquisition of a subsidiary as disclosed in Note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

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 Ringgit Malaysia (RM).

The following matters may indicate the existence of uncertainties on the Group's ability to continue as a going concern.

- (a) As at 31 December 2010, the Group reported a net current liabilities of RM94,582,928. Included in the current liabilities of the Group as at 31 December 2010 were amounts owing to the two external water treatment operators of the Group, namely SPLASH and ABASS, and borrowings that are due within the next twelve months.

The aforementioned water treatment operators have individually initiated legal action against SYABAS, a subsidiary of the Company, for the outstanding amounts due together with interest and cost. As disclosed in Note 48(f), the High Court had declared that SYABAS must pay in full all payments due to SPLASH. As further disclosed in (i) below, SYABAS has instructed their solicitors to appeal against the judgment and are seeking a stay execution from making full payment to SPLASH.

- (b) On 6 April 2011, Malaysian Rating Corporation Bhd ("MARC"), the rating agency for the rated debts has downgraded the rating for certain borrowings of the Group. The downgrade of these borrowings has led to breach of certain financial covenants. The Trustee of the affected bondholders has issued notice to Company and PNSB on the breach of covenant.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 BASIS OF PREPARATION (CONT'D)

Notwithstanding the above, the financial statements of the Group have been prepared on a going concern basis, the validity of which is dependent on the favorable and timely outcome of the following plans undertaken by the directors:

- (i) As disclosed in Note 48(f) and Note 48(h), the directors of SYABAS have instructed their solicitors to appeal against the judgments and are seeking a stay of execution from making full payment for monthly water supply and capacity charges to the water treatment operators, pending finalization of the legal proceedings against the State Government as disclosed in (ii) below.
- (ii) SYABAS had instituted legal proceedings against the State Government for a sum of RM471,642,916 in respect of compensation due to SYABAS from 1 January 2009 to 31 December 2009. Further details are disclosed in Note 48(g). The directors of SYABAS, in consultation with their solicitors are of the opinion that SYABAS has a good chance of success in claiming the said sum from the State Government.
- (iii) The directors of the Company are in the midst of formulating plans with the bondholders and the Federal Government (and Agencies) to restructure the Group's borrowings. The said restructuring plan includes a proposed liability swap through a proposed bond buyback by the Federal Government or its appointed nominees.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: Disclosures
- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements (Revised)
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 132 Financial Instruments: Presentation
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13 Customer Loyalty Programmes
- IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 4 Insurance Contracts and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group and the Company.

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group has adopted FRS 8 retrospectively. However, this standard does not have any impact on the financial position and results of the Group.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 43).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Impairment of long term receivables**

Prior to the adoption of FRS 139, long-term receivables were recorded at cost. With the adoption of FRS 139, long-term receivables are now recognised initially at their fair values, that is lower than cost. The difference between the fair value and cost of the loan is recognised as an impairment loss. The amount of the loss is the difference between the receivables carrying amount and the present value of the estimated future cash flows discounted at the receivables original effective interest rate. At 1 January 2010, the Group has recognised the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening retained earnings as at that date. Interest income is recognised in the income statement using the effective interest method.

- **Other investments**

Prior to 1 January 2010, the Group classified its investment in unit trust funds and fixed income trust funds as financial assets which were held for trading purposes as other investments. Such other investments was carried at the lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, this others investments is designated at 1 January 2010 as available-for-sales investment and accordingly is stated at its fair values as at that date. The adoption of this standard does not have any financial impact to the Group as at 1 January 2010.

- **Inter-company loans**

During the current and prior years, the Company granted interest-free loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances continue be recorded initially at cost as the Company takes these loans in a form of short-term advances and payable on demand. Therefore, the effect of discounting is considered as immaterial and the fair value of the loans is equal to the amount of the advances given or received. No adjustments were made to the opening balance of retained earnings as at 1 January 2010.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

FRS 139 Financial Instruments: Recognition and Measurement (Cont'd)

The following are effects arising from the above changes in accounting policies:

Group	Increase/(decrease)	
	As at 31 December 2010 RM	As at 1 January 2010 RM
Statements of financial position		
Long term receivables	13,690,245	(46,749,561)
Deferred tax liabilities	3,422,561	–
Retained earnings	10,267,684	(46,749,561)
		Increase 2010 RM
Group		
Income statements		
Other income		13,690,245
Profit before tax		13,690,245
Profit net of tax		10,267,684
		2010 Sen per share
Earnings per share:		
Basic		2.5

Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group and the Company as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to FRS 117 Leases (Cont'd)

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group and the Company has applied this change in accounting policy retrospectively and certain comparatives have been restated.

The following are effects to the statement of financial position as at 31 December 2010 arising from the above change in accounting policy:

	Group RM	Company RM
Increase/(decrease) in:		
Property, plant and equipment	75,894,816	7,667,210
Land use rights	(75,894,816)	(7,667,210)

The following comparatives have been restated:

	As previously stated RM	Adjustment RM	As restated RM
Statement of financial position			
Group			
31 December 2009			
Property, plant and equipment	1,521,346,148	75,894,816	1,597,240,964
Land use rights	75,894,816	(75,894,816)	-
1 January 2009			
Property, plant and equipment	1,560,926,783	76,737,930	1,637,664,713
Land use rights	76,737,930	(76,737,930)	-

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 CHANGES IN ACCOUNTING POLICIES (CONT'D)

Amendments to FRS 117 Leases (Cont'd)

The following comparatives have been restated: (cont'd)

	As previously stated RM	Adjustment RM	As restated RM
Statement of financial position			
Company			
31 December 2009			
Property, plant and equipment	164,469	7,667,210	7,831,679
Land use rights	7,667,210	(7,667,210)	-
1 January 2009			
Property, plant and equipment	325,661	7,755,255	8,080,916
Land use rights	7,755,255	(7,755,255)	-
Income statements			
Group			
31 December 2009			
Depreciation of property, plant and equipment - others	44,962,105	843,114	45,805,219
Amortisation of land use rights	843,114	(843,114)	-
Company			
31 December 2009			
Depreciation of property, plant and equipment	161,192	88,045	249,237
Amortisation of land use rights	88,045	(88,045)	-

Amendment to FRS 120 Accounting for Government Grants and Disclosures of Government Assistance

The amendments to FRS 120 removed the exemption to impute interests on government loan at below market interest rate. The difference between the amount received and the present value of estimated cash flows discounted at market interest rate is accounted for as government grants. The amendments have been applied prospectively to government grants received on or after 1 January 2010. During the financial year, the Group completed the issuance of RPS to the MOF at below market interest rate amounting to RM131.6 million as disclosed in Note 30. The Group recognised interest expense of RM4,521,490 and the portion of the grant of RM2,715,478 as interest income.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group and the Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
FRS 127 Consolidated and Separate Financial Statements (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Improvements to FRS issued in 2010	1 January 2011
IC Interpretation 4 Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfer of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
TR i - 4: Shariah Compliant Sale Contracts	1 January 2011
FRS 124 Related Party Disclosures (Revised)	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 and IC 12 are described below.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

IC Interpretation 12 Service Concession Arrangements

IC Interpretation 12 applies to service concession operators and explains how to account for obligations undertaken and rights received in service concession arrangements. The adoption of IC Interpretation 12 will likely to have a impact to the financial statements and the Company is in the process of assessing the extent of the impact. However, the Group is exempted from disclosing the possible impact to the financial statements upon the initial application of this Interpretation under the transitional rule.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisition Method

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 BASIS OF CONSOLIDATION (CONT'D)

Acquisition Method (cont'd)

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.10. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Merger Method

Acquisition of subsidiaries with agreement dated prior to 1 January 2006 that meets the conditions of merger are accounted for using the merger method. Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. In the consolidated financial statements, the cost of the merger is cancelled with the nominal values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve.

2.5 TRANSACTIONS WITH MINORITY INTERESTS

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 FOREIGN CURRENCY

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 FOREIGN CURRENCY (CONT'D)

(b) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.7 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 the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment and furniture and fixtures 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 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 criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Concession assets comprise structures, land and buildings, water treatment plants and equipment, reservoirs, dams and distribution pipes operated and maintained by the Group under the concession agreements entered into by the subsidiaries as disclosed in Note 4.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Concession assets for the current financial year are depreciated over the Concession period using the unit of water revenue method as follows:

Actual water revenue for the year	X	NBV of Concession assets at
Actual water revenue for the year +		beginning of the year + Additions for the year
Projected total water revenue for the		
subsequent years to the end of the Concession		

The rationale for using the unit of water revenue method is in line with the pattern in which the assets' economic benefits are consumed by the Group.

Freehold land has an unlimited useful life and therefore it is not depreciated. Depreciation of other property, plant and equipment is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings	: 50 years
- Plant and equipment	: 5 to 10 years
- Water meters	: 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
- Signage	: 5 to 10 years

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.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if 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. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 INVESTMENT PROPERTIES

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 INVESTMENT PROPERTIES (CONT'D)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 PROJECT DEVELOPMENT EXPENDITURE

Project development expenditure are stated at cost less accumulated amortisation and impairment losses. Project development expenditure mainly comprise the following:

- (a) Expenditure incurred for the rehabilitation and refurbishment of water treatment facilities, concession acquisition cost and expenditure incurred for the operation, maintenance, development and upgrading of water distribution systems.

These expenditure include capital work-in-progress, which are not amortised until the related asset are ready for its intended use.

These expenditure are amortised over the Concession period using the unit of water revenue method as follows:

Actual water revenue for the year	X	NBV of project development
Actual water revenue for the year +		expenditure at beginning of the year
Projected total water revenue for the		+ Additions for the year
subsequent years to the end of the Concession		

The rationale for using the unit of water revenue method is in line with the pattern in which the assets' economic benefits are consumed by the Group.

- (b) Fixed capacity charges, annual charges, land use charges obligations arising from the concession agreements entered into by the Group as disclosed in Note 4.

These assets are amortised over the Concession period using the unit of water revenue method as follows:

Actual water revenue for the year	X	NBV of projected fixed capacity
Actual water revenue for the year +		charges, annual charges and
Projected total water revenue for the		land use charges at beginning of the year
subsequent years to the end of the Concession		

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 PROJECT DEVELOPMENT EXPENDITURE (CONT'D)

The amortisation period and the amortisation method for these expenditure is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on these expenditure is recognised in the profit or loss.

2.10 GOODWILL

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses 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 makes 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 ("CGU").

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 IMPAIRMENT OF NON-FINANCIAL ASSETS (CONT'D)

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 first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 SUBSIDIARIES

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 ASSOCIATES

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 ASSOCIATES (CONT'D)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where the date of the audited financial statements used are not coterminous with those of the Group, the share of results is derived at from the last audited financial statements available and management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.14 JOINT VENTURE

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, its investment in joint venture is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

2.15 FINANCIAL ASSETS

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become 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.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 FINANCIAL ASSETS (CONT'D)

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

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.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

Notes to the Financial Statements

For the financial year ended
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cont'd

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 FINANCIAL ASSETS (CONT'D)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

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.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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.

2.16 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.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

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) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

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.

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.

Notes to the Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, 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.

2.18 CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.19 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes transportation and handling costs incurred.

2.20 PROVISIONS

Provisions are recognised when the Group 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.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 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. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Grants that compensate the Group for the cost of asset 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 2.9. The cost of assets to which the grants relate to are capitalised as project development expenditure.

2.22 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 FRS 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 classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables 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. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Notes to the Financial Statements

For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 FINANCIAL LIABILITIES (CONT'D)

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.

2.23 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.

2.24 RCULS

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.

2.25 EMPLOYEE BENEFITS

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group 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. The Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

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For the financial year ended
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 EMPLOYEE BENEFITS (CONT'D)

(b) Defined benefit plans

The Group operates an unfunded, defined benefit Retirement Benefit Scheme (the "Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised directly in equity immediately. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in statement of financial position represents the present value of the defined benefit obligation adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

2.26 LEASES

(a) As lessee

Finance leases, which transfer to the Group 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 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 retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27(e).

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Supply and distribution of treated water to consumers

Revenue is recognised when the treated water is discharged through the reading meter installed.

(b) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(c) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as describe in Note 2.18.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) 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.

2.28 RAW MATERIALS, CONSUMABLES AND MAINTENANCE EXPENSES

Raw materials, consumables and maintenance expenses represent costs incurred in the production of treated water and maintenance works. These costs are recognised as an expense in the income statement in the year in which the expenses are incurred.

2.29 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.

(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.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 INCOME TAXES (CONT'D)

(b) Deferred tax (cont'd)

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the 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 subsidiaries, associates and interests in joint ventures, 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.

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 or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 SEGMENT REPORTING

For management purposes, the Group is organised into operating segments based on their services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 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.

2.32 TREASURY SHARES

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.33 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.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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.

3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(a) Amortisation of project development expenditure

Project development expenditure are amortised over the concession period using the unit of water revenue method as disclosed in Note 2.9.

Significant estimation is involved in determining the projected water revenue of the entire Concession Period of 30 years, commencing 1 January 2005 to 31 December 2034. The projected water revenue is estimated based on the average scheduled tariff as set out in the SYABAS Concession Agreement and total water demand as assessed by Independent Valuers which are updated when historical water demand varies significantly from the projected water demand. It is assumed that the agreed tariff will be gazetted and shall take effect for the applicable operating period on the relevant tariff adjustment dates set out in the SYABAS Concession Agreement.

The assumptions on the water purchases are made based on existing agreements with water treatment operators and estimate water purchase quantity.

A projection, in this context, means prospective financial information prepared on the basis of assumptions that include hypothetical assumptions as to future events and management's actions. The projection covers an extended future period for which there are inherent risks; actual results could differ from the projection, which will result in operating results being adjusted in the period in which the revision to assumptions is made.

Pursuant to SYABAS's policy to evaluate estimates used on an on-going basis, SYABAS revised its projected water revenue and projected fixed capacity charges for the concession period as a result of changes to estimates relating to water demand, tariff rates, water purchase rates and NRW rates.

Due to the long remaining concession period, the Group does not expect a significant risk of changes in the projected water revenue which may cause a material adjustment to the amortisation of the project development expenditure in the future financial periods.

(b) Revenue recognition - unread water meters

SYABAS raises bills and recognises revenue in accordance with its entitlement to receive revenue in line with the scheduled tariff as set out in the SYABAS Concession Agreement. Revenue recognised is dependent upon the volume of water supplied including an estimate of the sales value of units supplied between the date of last meter reading and the year end. Meters are read on a cyclical basis and SYABAS recognises revenue for unbilled amounts based on estimated usage from the last billing through to the end of the financial year. The estimated usage is based on historical data, judgement and assumptions; actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to the estimates is determined.

(c) Water tariff compensation

Pursuant to the SYABAS Concession Agreement, and as disclosed in Note 5(b), SYABAS is entitled to impose a water tariff review effective from 1 January 2009 based on a formulae contained in the SYABAS Concession Agreement. The revised water tariff rates are to be submitted by SYABAS to the State Government to be gazetted. On 31 March 2008, the revised water tariff was submitted by SYABAS but as at the date of the reporting date, the State Government has not gazetted the revised rates. The directors of SYABAS, in consultation with their solicitors, are of the opinion that SYABAS is entitled to the water tariff compensation recognised in the financial statement of RM852,901,002.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(d) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the "value in use" of the CGUs to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2010 was RM514,873,012 (2009: RM515,312,455). Further details are disclosed in Note 22.

(e) Useful life of property, plant and equipment and project development expenditure

Concession assets (included within property, plant and equipment) and project development expenditure are depreciated or amortised over the concession period using the unit of water revenue method as disclosed in Note 2.7 and Note 2.9. Significant estimation is involved in determining the projected water revenue of the concession as disclosed in Note 3.1(a) above.

Due to the long remaining concession period, the Group does not expect a significant risk of changes in the projected water revenue which may cause a material adjustment to the depreciation of property, plant and equipment and project development expenditure in the future financial periods.

(f) Deferred tax

Deferred tax assets are recognised for all unused tax losses, capital allowance and unutilised reinvestment allowance to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and reinvestment allowances can be utilised. Significant management judgement 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 relation to unused tax losses, capital allowance and unutilised reinvestment allowance of the Group as at 31 December 2010 are RM549,328,365 (2009: RM470,327,558), RM192,759,895 (2009: RM141,650,290) and RM32,626,418 (2009: RM77,026,525) respectively.

(g) Trade receivables

The Group evaluates the collectability of trade receivables and records provisions for doubtful receivables based on historical collection pattern. These provisions are 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 2010, the Group's gross trade receivables were RM1,080,822,947 (2009: RM667,883,246) and the provision for doubtful receivables was RM6,058,089 (2009: RM7,081,875).

Notes to the Financial Statements

For the financial year ended
31 December 2010

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(h) Government grant

Government grant is recognised as income to compensate the Group for the cost of an asset over the useful life of the asset. The assets to which the grant relate to are amortised over the concession period using the unit of water revenue method as disclosed in Note 2.9. Similarly, the grant is amortised over the same basis to compensate the Group for the expenses incurred. Significant estimation is involved in determining the projected water revenue of the concession as disclosed in Note 3.1(a) above.

Due to the long remaining concession period, the Group does 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.

(i) Material litigations

The Group 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 Group evaluates if a provision needs to be recognised in the financial statements. Further details of the material litigations involving the Group are disclosed in Note 48.

3.2 SIGNIFICANT JUDGEMENT

Recoverability of amount due from State Government

Included in trade receivables is RM852,901,002 being the water tariff compensation owing from the State Government for the years 2009 and 2010 cumulatively. During the current financial year, the Directors of the SYABAS have instituted legal action claiming for the sum of RM471,642,916 being the compensation due for the period from 1 January 2009 to 31 December 2009 as further disclosed per Note 48(g). The directors in assessing the recoverability of this receivables and in consultation with their solicitors, are of the opinion that their case has merit and hence the amount is likely recoverable from the State Government.

4. AWARD OF CONCESSIONS

(a) PNSB 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 Territories 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

Notes to the Financial Statements

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4. AWARD OF CONCESSIONS (CONT'D)

(a) PNSB was awarded the following concessions by the State Government: (cont'd)

(iii) On 17 January 1998, PNSB was given the rights 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, PNSB 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, PNSB 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, PNSB 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 PNSB;
- the quality of treated water; and
- all operational matters relating to such purchase, payment and quality of treated water.

(ii) Novation Agreement to the Wangsa Maju WTP Concession Agreement between the State Government, PNSB 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 PNSB;
- 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 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.

(iv) Supplemental Agreement (in relation to the CCOA dated 22 March 1995) 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.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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4. AWARD OF CONCESSIONS (CONT'D)

- (a) PNSB was awarded the following concessions by the State Government: (cont'd)

PNSB 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 PNSB in relation to the appointment of PNSB 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
- (ii) Novation Agreement to the Sg Lolo WTP (Extension) O&M Agreement between the State Government, PNSB 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, PNSB 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 PNSB in relation to the appointment of PNSB 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, PNSB and SYABAS in relation to the assumption of all the State Government's rights, benefit, 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).
- (b) On 15 December 2004, SYABAS 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. SYABAS is granted the right and authority by the Federal Government and the State Government to undertake the following:
- (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 30 years ending 31 December 2034.

Notes to the Financial Statements

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4. AWARD OF CONCESSIONS (CONT'D)

- (c) LUWEI was incorporated on 28 January 2005 to undertake the Lushan County Water Supply Project for a concession period of 30 years commencing from 1 May 2008. Under the concession, LUWEI is to invest, finance, construct, design, operate and maintain a 50,000 m³ per day water treatment plant in Lushan County, Henan Province, China. The Group completed the acquisition of LUWEI on 19 August 2008.
- (d) XINNUO was incorporated on 7 April 2008 to undertake the Yangxin County Trade Centre Wastewater Treatment Project for a concession period of 28 years. Under the concession, XINNUO is to invest, finance, construct, design, operate and maintain a 30,000 m³ per day wastewater treatment plant in Laodian Village, Yangxin County, Shandong Province, China. The Group completed the acquisition of XINNUO on 2 July 2008.
- (e) Hebei Sino was incorporated on 16 September 2009 to undertake the Yuanshi County Industrial Water Supply Project for a concession period of 30 years. Under the concession, Hebei Sino is to invest, finance, design, construct, operate and maintain the Industrial Water Supply Construction, and to provide services and charge fee to the users.

5. REVENUE

	Group		Company	
	2010	2009	2010	2009
	RM	RM	RM	RM
Supply and distribution of treated water to consumers	1,488,384,376	1,435,834,463	–	–
Water tariff compensation	418,717,266	434,183,737	–	–
Construction revenue	4,412,557	16,981,446	–	–
	1,911,514,199	1,886,999,646	–	–

(a) Supply and distribution of treated water to consumers

Mainly consist of the supply and distribution of treated water to consumers in the Distribution Area by SYABAS, with effect from 1 January 2005.

(b) Water tariff compensation

The amount relates to water tariff compensation for the revised water tariff effective from 1 January 2009. The amount is determined by the directors of SYABAS based on the terms of the SYABAS Concession Agreement as disclosed in Note 3.1(c).

The claim for water tariff compensation had been included as amount owing by the State Government under trade receivables as at 31 December 2010.

(c) Construction revenue

The construction revenue represents the revenue arising from the construction contracts undertaken by the Group in relation to design and implementation of various water supply scheme.

Notes to the Financial Statements

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6. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

(a) Other income

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Amortisation of:				
- deferred government grant (Note 33)	(2,948,778)	(2,118,762)	-	-
- government grant (Note 2.2 and Note 33)	(2,715,478)	-	-	-
Accretion of interest on long term receivable (Note 2.2 and Note 23(f))	(13,690,245)	-	-	-
Interest income:				
- Junior Notes A	-	-	(55,534,206)	(57,029,120)
- RCULS (Note 20)	-	-	(10,912,812)	(10,074,764)
Profit earned from deposits	(37,435,956)	(32,175,247)	(4,886,716)	(5,329,759)
Income from liquidated ascertained damages from contractors	(257,424)	(210,640)	-	-
Rental income from land and building	(242,430)	(142,565)	(817,176)	(646,413)
Unrealised foreign exchange gain	-	-	(185,247)	(142,343)
Income from property developers (Note 6(a)(i))	(30,599,739)	(45,222,055)	-	-
Reconnection charges	(6,087,660)	(5,982,132)	-	-

(i) Income from property developers represents contributions by developers to improve and upgrade the distribution system.

Notes to the Financial Statements

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6. PROFIT BEFORE TAX (CONT'D)

(b) Other expenses

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Auditors' remuneration (Note 7)				
Auditors of the Company				
- Statutory audit	475,000	417,000	42,000	28,000
- Others	505,881	182,008	156,650	30,200
Other auditors				
- Statutory audit	377,387	405,011	-	-
- Others	9,297	1,800	-	-
	1,367,565	1,005,819	198,650	58,200
Others				
Concession fees	1,000,000	1,000,000	-	-
Non-Executive Directors' remuneration (Note 9)	395,000	464,918	395,000	464,918
Impairment loss on trade receivables	3,847,013	6,144,042	-	-
Fair value gain on available-for-sales investment (Note 25)	-	(1,200,351)	-	-
Gain from disposals of available-for-sales investments (Note 25)	(1,907,773)	-	-	-
Bad debts recovered	(5,638,887)	(4,984,078)	-	-
Reversal of allowance for impairment of trade receivables (Note 23(a))	(7,900)	(3,259,203)	-	-
Property, plant and equipment written off	2,412,140	556,316	-	-
Impairment loss on:				
- property, plant and equipment (Note 13)	461,748	-	-	-
- investment property (Note 14)	-	-	452,543	-
- joint venture	550,000	-	550,000	1,161,000
Operating lease:				
- minimum lease payments on buildings	4,648,649	3,329,619	-	-
- minimum lease payments on motor vehicle and equipment	7,268,115	8,252,991	-	-
Unrealised foreign exchange loss	322,229	120,370	6,509,712	661,135
Provision for foreseeable losses on construction contracts	3,325,994	-	-	-
Project development expenditure written off (Note 15)	1,074,405	11,458,432	-	-
Realised foreign exchange loss	109,286	14,260	22,799	3,907
Inventory written off	44,510	-	-	-
Water royalty	15,522,023	15,033,701	-	-
(Gain)/loss on disposal of property, plant and equipment	(251,299)	856,345	-	-

Notes to the Financial Statements

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6. PROFIT BEFORE TAX (CONT'D)

(c) Depreciation and amortisation expense

	Group 2010 RM	2009 RM (Restated)	Company 2010 RM	2009 RM (Restated)
Depreciation of property, plant and equipment (Note 13)				
- Concession assets	17,657,042	17,224,382	-	-
- Others	41,736,905	45,805,219	211,369	249,237
- Depreciation of investment property (Note 14)	-	-	639,475	420,813
	59,393,947	63,029,601	850,844	670,050
Amortisation of project development expenditure (Note 15)	465,780,161	445,965,980	-	-
	525,174,108	508,995,581	850,844	670,050

7. AUDITORS' REMUNERATION

	Group 2010 RM	2009 RM
Auditors of the Company (Note 6(b))		
Statutory audit	475,000	417,000
Fees for tax advisory compliance work	112,600	100,864
Other non-audit related services	393,281	81,144
	980,881	599,008
Other auditors (Note 6(b))		
Statutory audit	377,387	405,011
Fees for tax advisory compliance work	9,297	1,800
	386,684	406,811
	1,367,565	1,005,819

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7. AUDITORS' REMUNERATION (CONT'D)

	Company 2010 RM	2009 RM
Auditors of the Company (Note 6(b))		
Statutory audit	42,000	28,000
Fees for tax advisory compliance work	15,000	12,200
Other non-audit related services	141,650	18,000
	198,650	58,200

8. EMPLOYEE BENEFITS EXPENSE

	Group 2010 RM	2009 RM
Wages, salaries and bonuses	172,612,442	162,046,758
Defined contribution retirement plan (Note 8(a))	22,317,983	21,778,369
Defined benefit plan (Note 31(e))	3,645,421	3,262,763
Other staff related expenses	36,886,022	23,927,992
	235,461,868	211,015,882

Included in employee benefits expenses of the Group and Company are the Executive Directors' remuneration (excluding benefits-in-kind) amounting to RM15,400,524 (2009: RM14,003,360) and RM Nil (2009: RM130,000) respectively as further disclosed in Note 9.

The number of persons, including the Company's Executive Directors, employed by the Group at the end of the financial year was 4,266 (2009: 4,028).

- (a) The Group contributes to EPF, the national defined contribution plan. When the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements

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9. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Executive:				
Wages, salaries and bonus	11,199,975	10,803,081	–	–
Defined contribution retirement plan	1,802,413	1,732,227	–	–
Leave passage	739,768	664,976	–	130,000
Other staff related expenses	1,658,368	803,076	–	–
Total executive directors' remuneration (excluding benefits-in-kind) (Note 8)	15,400,524	14,003,360	–	130,000
Estimated money value of benefits-in-kind	180,348	155,450	–	–
Total executive directors' remuneration (including benefits-in-kind)	15,580,872	14,158,810	–	130,000
Non-Executive:				
Allowances	245,000	253,000	245,000	253,000
Leave passage	150,000	211,918	150,000	211,918
Total non-executive directors' remuneration (Note 6(b))	395,000	464,918	395,000	464,918
Total directors' remuneration	15,975,872	14,623,728	395,000	594,918

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2010	2009
RM100,001 to RM200,000	3	3
RM300,001 to RM400,000	1	1
RM500,001 to RM600,000	1	–
RM700,001 to RM800,000	1	1
RM900,001 to RM1,000,000	1	1
RM1,000,001 to RM1,100,000	–	1
RM1,900,001 to RM2,000,000	1	1
RM2,200,001 to RM2,300,000	–	1
RM2,300,001 to RM2,400,000	1	–
RM6,800,001 to RM6,900,000	1	1

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10. FINANCE COSTS

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Finance cost on Islamic banking borrowings				
- BAIDS	57,069,114	64,231,901	-	-
- BAMTN	125,875,247	125,338,900	-	-
Finance cost on conventional borrowings				
- Government Support Loan	1,670,060	1,867,243	-	-
- RUN	56,284,659	57,717,293	55,552,384	57,029,120
- RM410 million and RM250 million Term Loans	37,260,875	35,412,800	-	-
- RUBs	38,168,877	37,063,293	-	-
- RCULS	1,585,402	1,514,482	-	-
- RPS	18,423,375	14,120,466	-	-
- Interest expenses arising from fair value changes in RPS (Note 2.2 and Note 30(k))	4,521,490	-	-	-
Late payment interest to water treatment operators	31,551,478	10,188,960	-	-
Interest expense on obligation under finance leases	733,594	607,291	-	-
Bank charges	1,008,591	868,753	49,652	21,851
Other interest expenses	130,315	195,120	-	-
Total finance costs	374,283,077	349,126,502	55,602,036	57,050,971

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11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Income statements:				
Current income tax				
- Current financial year	24,141,829	26,749,269	1,134,208	1,346,461
- Foreign income tax	11,328	87,103	61,558	87,103
- (Over)/under provision in respect of previous years	(3,106,428)	(266,341)	(46,760)	34,061
	21,046,729	26,570,031	1,149,006	1,467,625
Deferred income tax (Note 34)				
- Origination and reversal of temporary differences	58,046,529	71,999,648	2,728,203	2,518,691
- Over provision in respect of previous years	(325,078)	(13,720,000)	-	-
	57,721,451	58,279,648	2,728,203	2,518,691
Income tax recognised in profit or loss	78,768,180	84,849,679	3,877,209	3,986,316

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

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11. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Profit before tax	268,368,120	312,605,736	3,694,012	10,663,965
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	67,092,030	78,151,434	923,503	2,665,991
Different tax rates in other jurisdictions	725,022	799,040	28,968	–
Expenses not deductible for tax purposes	13,728,836	19,885,546	2,971,498	1,286,264
(Over)/under provision of current tax in prior years	(3,106,428)	(266,341)	(46,760)	34,061
Over provision of deferred tax in prior years	(325,078)	(13,720,000)	–	–
Deferred tax assets recognised	(222,648)	–	–	–
Deferred tax assets not recognised	876,446	–	–	–
Income tax expense recognised in profit or loss	78,768,180	84,849,679	3,877,209	3,986,316

The corporate tax rate applicable to the Singapore subsidiary of the Group was reduced to 17% for the year of assessment 2010 onwards from 18% for the year of assessment 2009. Under the relevant PRC income tax law, the PRC companies of the Group are subject to corporate income tax rate of 25% on their respective taxable income.

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12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. However, there is no dilution in earnings per share.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group 2010 RM	2009 RM
Profit net of tax attributable to owners of the parent	119,511,598	142,319,723
Weighted average number of ordinary shares	409,106,095	409,106,095
Basic earnings per share	29.21	34.79

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For the financial year ended
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13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Long term leasehold land RM	Buildings RM	Water meters RM	Concession assets RM
Group					
Cost:					
At 1 January 2009					
As previously stated	3,824,888	–	40,921,746	86,520,763	1,764,371,354
Effects of adoption the amendments to FRS 117	–	79,250,223	–	–	–
As restated	3,824,888	79,250,223	40,921,746	86,520,763	1,764,371,354
Acquisition of subsidiaries (Note 16)	–	–	–	–	–
Additions	–	–	494,202	10,690,204	2,780,000
Disposals	–	–	–	–	–
Write off	–	–	–	–	(203,084)
Exchange difference	–	–	(2,604)	(13,920)	–
At 31 December 2009 (restated)	3,824,888	79,250,223	41,413,344	97,197,047	1,766,948,270
At 1 January 2010					
As previously stated	3,824,888	–	41,413,344	97,197,047	1,766,948,270
Effects of adoption the amendments to FRS 117	–	79,250,223	–	–	–
As restated	3,824,888	79,250,223	41,413,344	97,197,047	1,766,948,270
Additions	–	14,803,891	2,849,624	25,777,268	202,800
Reclassification	–	–	–	–	–
Disposals	–	–	–	–	–
Write off	–	–	–	–	(2,753,000)
Exchange difference	–	–	(14,335)	(76,698)	–
At 31 December 2010	3,824,888	94,054,114	44,248,633	122,897,617	1,764,398,070

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Plant and equipment RM	Computers, software and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Signage RM	Total RM
12,245,882	55,690,646	16,714,865	58,272,884	91,856,956	12,259,552	2,142,679,536
-	-	-	-	-	-	79,250,223
12,245,882	55,690,646	16,714,865	58,272,884	91,856,956	12,259,552	2,221,929,759
161,751	2,981	-	74,979	-	-	239,711
2,156,960	5,153,047	312,323	1,113,591	971,121	585,074	24,256,522
-	(64,178)	-	(3,680,815)	-	(6,782)	(3,751,775)
(4,560)	(458,225)	(3,659,284)	(357,245)	-	-	(4,682,398)
(15,607)	(20,274)	(165)	(1,493)	65	-	(53,998)
14,544,426	60,303,997	13,367,739	55,421,901	92,828,142	12,837,844	2,237,937,821
14,544,426	60,303,997	13,367,739	55,421,901	92,828,142	12,837,844	2,158,687,598
-	-	-	-	-	-	79,250,223
14,544,426	60,303,997	13,367,739	55,421,901	92,828,142	12,837,844	2,237,937,821
3,899,364	3,371,036	1,525,965	14,507,979	1,402,358	18,060	68,358,345
6,954,461	(21,375)	21,375	-	-	-	6,954,461
(30,400)	(250,218)	-	(472,128)	-	-	(752,746)
-	(260,542)	-	(17,837)	-	-	(3,031,379)
(214,428)	(16,137)	(11,498)	(20,419)	(6,864)	-	(360,379)
25,153,423	63,126,761	14,903,581	69,419,496	94,223,636	12,855,904	2,309,106,123

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land RM	Long term leasehold land RM	Buildings RM	Water meters RM	Concession assets RM
Group					
Accumulated Depreciation:					
At 1 January 2009					
As previously stated	–	–	1,185,702	14,742,692	453,878,357
Effects of adoption the amendments to FRS 117	–	2,512,293	–	–	–
As restated	–	2,512,293	1,185,702	14,742,692	453,878,357
Acquisition of subsidiaries (Note 16)	–	–	–	–	–
Depreciation charge for the year (Note 6(c))	–	843,114	768,778	9,172,294	17,224,382
Disposals	–	–	–	–	–
Write off	–	–	–	–	–
Exchange difference	–	–	(446)	(5,506)	–
At 31 December 2009 (restated)	–	3,355,407	1,954,034	23,909,480	471,102,739
At 1 January 2010					
As previously stated	–	–	1,954,034	23,909,480	471,102,739
Effects of adoption the amendments to FRS 117	–	3,355,407	–	–	–
As restated	–	3,355,407	1,954,034	23,909,480	471,102,739
Depreciation charge for the year (Note 6(c))	–	908,328	991,600	11,321,617	17,657,042
Impairment (Note 6(b))	–	–	452,543	–	–
Reclassification	–	–	–	–	–
Disposals	–	–	–	–	–
Write off	–	–	–	–	(396,003)
Exchange difference	–	–	(2,066)	(23,661)	–
At 31 December 2010	–	4,263,735	3,396,111	35,207,436	488,363,778
Net carrying amount:					
At 31 December 2009 (restated)	3,824,888	75,894,816	39,459,310	73,287,567	1,295,845,531
At 31 December 2010	3,824,888	89,790,379	40,852,522	87,690,181	1,276,034,292

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Plant and equipment RM	Computers, software and equipment RM	Furniture and fittings RM	Motor vehicles RM	Renovations RM	Signage RM	Total RM
7,469,662	37,483,421	9,481,904	22,396,539	33,868,441	1,246,035	581,752,753
-	-	-	-	-	-	2,512,293
7,469,662	37,483,421	9,481,904	22,396,539	33,868,441	1,246,035	584,265,046
38,606	1,466	-	6,349	-	-	46,421
1,193,220	10,575,353	1,486,554	7,231,710	12,113,976	2,420,220	63,029,601
-	(64,178)	-	(2,430,664)	-	-	(2,494,842)
(3,885)	(443,743)	(3,507,727)	(170,727)	-	-	(4,126,082)
(11,786)	(3,848)	(486)	(956)	(259)	-	(23,287)
8,685,817	47,548,471	7,460,245	27,032,251	45,982,158	3,666,255	640,696,857
8,685,817	47,548,471	7,460,245	27,032,251	45,982,158	3,666,255	637,341,450
-	-	-	-	-	-	3,355,407
8,685,817	47,548,471	7,460,245	27,032,251	45,982,158	3,666,255	640,696,857
1,522,696	7,007,795	2,251,342	6,700,141	9,701,760	1,331,626	59,393,947
9,205	-	-	-	-	-	461,748
-	(15,676)	15,676	-	-	-	-
(5,259)	(204,357)	-	(222,877)	-	-	(432,493)
-	(216,961)	-	(6,275)	-	-	(619,239)
(69,509)	(4,886)	(2,494)	(4,579)	(831)	-	(108,026)
10,142,950	54,114,386	9,724,769	33,498,661	55,683,087	4,997,881	699,392,794
5,858,609	12,755,526	5,907,494	28,389,650	46,845,984	9,171,589	1,597,240,964
15,010,473	9,012,375	5,178,812	35,920,835	38,540,549	7,858,023	1,609,713,329

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Long term leasehold land RM	Renovations RM	Total RM
Company			
Cost:			
At 1 January 2009			
As previously stated	–	892,010	892,010
Effects of adoption the amendments to FRS 117	8,716,411	–	8,716,411
At 1 January 2009 (as restated) and 31 December 2009	8,716,411	892,010	9,608,421
At 1 January 2010			
As previously stated	–	892,010	892,010
Effects of adoption the amendments to FRS 117	8,716,411	–	8,716,411
At 1 January 2010 (as restated) and 31 December 2010	8,716,411	892,010	9,608,421
Accumulated depreciation:			
At 1 January 2009			
As previously stated	–	566,349	566,349
Effects of adoption the amendments to FRS 117	961,156	–	961,156
As restated	961,156	566,349	1,527,505
Depreciation charge for the year (Note 6(c))	88,045	161,192	249,237
At 31 December 2009	1,049,201	727,541	1,776,742
At 1 January 2010			
As previously stated	–	727,541	727,541
Effects of adoption the amendments to FRS 117	1,049,201	–	1,049,201
As restated	1,049,201	727,541	1,776,742
Depreciation charge for the year (Note 6(c))	88,045	123,324	211,369
At 31 December 2010	1,137,246	850,865	1,988,111
Net carrying amount:			
At 31 December 2009 (restated)	7,667,210	164,469	7,831,679
At 31 December 2010	7,579,165	41,145	7,620,310

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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Capitalisation of borrowing costs

Included in the cost of concession assets are total borrowing cost capitalised during the period of active development, amounting to RM286,075,263 (2009: RM286,075,263).

Assets pledged as security

Property, plant and equipment of the subsidiaries, PNSB and SYABAS, with total carrying amount of RM1,365,767,240 (2009: RM1,371,022,164) and RM135,919,559 (2009: RM137,566,829) respectively have been charged as security for borrowings as disclosed in Note 30(b), Note 30(d) and Note 30(e).

Leasehold land of the Group with a carrying value of RM82,211,214 (2009: RM68,227,607) has been charged as security for borrowings as disclosed in Note 30(b).

Assets held under finance leases

During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM68,358,345 (2009: RM24,256,522) of which RM13,555,688 (2009: RM812,500) were acquired by means of finance leases.

The carrying amount of property, plant and equipment of the Group held under finance leases at the reporting date were:

	Group 2010 RM	2009 RM
Motor vehicles		
Cost	37,287,673	28,564,904
Accumulated depreciation	(11,524,023)	(10,820,659)
Net carrying amount	25,763,650	17,744,245

Impairment of property, plant and equipment

During the financial year, the Group impaired the value of the building in Singapore which carry at RM10,011,786 by RM452,543 and plant and equipment in China which carry at RM7,320,301 by RM9,205. Impairment provided for building in Singapore is in accordance with the external valuer's report dated 28 December 2010 that valued the building using Direct Comparison Method at RM9,559,243.

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14. INVESTMENT PROPERTY

	Company 2010 RM	2009 RM
Building		
At net carrying value:		
At 1 January	10,608,788	10,535,399
Addition	42,473	494,202
Impairment (Note 6(b))	(452,543)	–
Depreciation charge for the year (Note 6(c))	(639,475)	(420,813)
At 31 December	9,559,243	10,608,788
Fair value	9,559,243	10,608,788

Fair value of investment property

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

During the financial year, the Group impaired the value of the building in Singapore rented to Sino which carry at RM10,011,786 by RM452,543. Impairment provided is in accordance with the external valuer's report dated 28 December 2010 that valued the building using Direct Comparison Method at RM9,559,243.

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15. PROJECT DEVELOPMENT EXPENDITURE

	Group 2010 RM	2009 RM
Cost:		
At 1 January	5,696,934,646	4,720,038,165
Acquisition of subsidiaries (Note 16)	–	935,154
Additions	978,772,599	987,621,306
Reclassify to property, plant and equipment (Note 13)	(6,954,461)	–
Write off (Note 6(b))	(1,074,405)	(11,458,432)
Exchange difference	(2,321,077)	(201,547)
	6,665,357,302	5,696,934,646
Accumulated amortisation:		
At 1 January	(1,702,260,305)	(1,256,041,080)
Acquisition of subsidiaries (Note 16)	–	(116,566)
Amortisation charge for the year (Note 6(c))	(465,780,161)	(445,965,980)
Exchange difference	107,387	(136,679)
	(2,167,933,079)	(1,702,260,305)
Carrying amount:		
At 31 December	4,497,424,223	3,994,674,341

16. INVESTMENT IN SUBSIDIARIES

	Company 2010 RM	2009 RM
Unquoted shares, at costs		
At 1 January	453,907,005	453,907,005
Acquisition of subsidiary (Note 16(a))	2	–
Subscription of additional equity interest in SINO (Note 16(c))	3,303,953	–
Subscription of additional equity interest in POG (Note 16(d))	5,900,000	–
At 31 December (Note 45)	463,110,960	453,907,005

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal Activities	Proportion (%) of ownership interest	
		2010	2009
Incorporated in Malaysia			
PNSB # ***	Operation, maintenance, management, construction, rehabilitation and refurbishment of water treatment facilities	100	100
SYABAS ***	Supply and distribution of treated water within Selangor and the Federal Territories of Kuala Lumpur and Putrajaya	70	70
Puncak Niaga (India) Sdn Bhd *	Dormant	100	100
Puncak Research Centre Sdn Bhd *	Research and development and technology development for water, wastewater and environment sectors	100	100
Puncak Seri (M) Sdn Bhd *	Dormant	100	100
NS Water System Sdn Bhd *	Dormant	100	100
Puncak Oil & Gas Sdn Bhd ***	Exploration for the production of oil and gas and other materials and the provision of offshore and onshore engineering works	100	100
Incorporated in Singapore			
SINO **	Investment in water and wastewater projects in PRC	98.65	80
PNOC **	Investment in water, wastewater, solid waste, environmental and oil and gas in the Asian countries	100	–
Incorporated in Malaysia Subsidiaries of PNSB			
Ideal Water Resources Sdn Bhd *	Ceased operations	100	100
Unggul Raya (M) Sdn Bhd *	Ceased operations	100	100
Incorporated in Malaysia Subsidiary of SYABAS			
PUAS ***	Ceased operations	70	70

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name	Principal Activities	Proportion (%) of ownership interest	
		2010	2009
Incorporated in PRC			
Subsidiaries of SINO			
LUWEI **	Treatment and distribution of water and related services	86.73	66.4
XINNUO **	Treatment of wastewater and related services	98.65	80
Sino Water (Shanghai) **	Consultancy services for water and wastewater projects	98.65	80
Luancheng **	Treatment and distribution of water and related services	78.92	64
Hebei Sino **	Distribution of water to industrial areas	78.92	64

Subsidiary consolidated using merger accounting method

* *Audited by firms other than Ernst & Young*

** *Audited by member firms of Ernst & Young Global in the respective countries*

*** *Audited by Ernst & Young, Malaysia*

(a) Acquisition of subsidiary, PNOC

The Company had on 28 June 2010, acquired one (1) ordinary share of SGD1.00 each in PNOC (Company Registration No. 201012969Z), representing 100% of the total issued and paid-up share capital of PNOC at a cash consideration of SGD1.00 only (the "Acquisition").

PNOC was incorporated on 18 June 2010 as a private company limited by shares in Singapore under the Companies Act, Cap. 50.

With the Acquisition, PNOC has become a wholly owned subsidiary of the Company on 28 June 2010 and its principal activity will be investment holding with interests in water, wastewater, solid waste, environmental engineering, oil & gas in the Asian countries.

The Acquisition is to facilitate the Group's future expansion plans to pursue business development efforts to secure new businesses in the ASEAN countries.

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) Subscription of additional equity interest in subsidiary, LUWEI by SINO

Sino had invested an additional amount of USD1,120,000 in LUWEI, its 83% owned limited liability subsidiary incorporated in Lushan County, Henan Province, in PRC under the China Company Law.

The Company was notified on 5 August 2010 by LUWEI that the regulatory authorities of the PRC had issued the "Enterprise Legal Representative Business Licence" dated 23 July 2010 approving the increase of the paid up registered capital of LUWEI to USD3,870,000 from USD2,750,000 previously.

Accordingly, Luwei became a 87.92% owned subsidiary of Sino with a total investment totalling USD3,402,500.

The additional investment by Sino had thus diluted the equity interest of the minority interest in Luwei. The dilution has resulted in an additional goodwill on consolidation of RM68,112.

(c) Subscription of additional equity interest in subsidiary, SINO

The Company had on 15 December 2010 subscribed for 1,382,812 new ordinary shares of SGD1.00 each in the capital of SINO, with the total consideration of SGD1,382,812 (equivalent to RM3,303,952.71), an 80% owned subsidiary of the Company incorporated in Singapore.

As at 15 December 2010, the issued and paid up share capital of Sino stood at SGD1,482,812 divided into 1,482,812 ordinary shares of SGD1.00 each.

Accordingly, Sino became a 98.65% owned subsidiary of the Company.

(d) Subscription of additional equity interest in subsidiary, POG

The Company had on 6 May 2010 subscribed an additional 1,900,000 new ordinary shares of RM1.00 each in the capital of POG, a wholly owned subsidiary of the Company by way of cash and set off against the amount owing by POG to the Company as disclosed in Note 46(f).

The Company had on 30 December 2010 subscribed an additional 4,000,000 new ordinary shares of RM1.00 each in the capital of POG by way of set off against the amount owing by POG to the Company as disclosed in Note 46(f).

(e) Acquisition of subsidiary, Luancheng, by an 80% owned subsidiary of the Company, SINO, during the financial year ended 31 December 2009

The Company was notified on 11 August 2009 by Luancheng, a limited liability company incorporated in Luancheng County, Hebei Province, in the PRC under the China Company Law with principal business in the treatment and distribution of water and related services in Luancheng Town, Hebei Province PRC, that the regulatory authorities of the PRC had on 27 July 2009, issued the Enterprise Legal Representative Business Licence approving the transfer of ownership for 80% of Luancheng to SINO, an 80% owned subsidiary of the Company duly incorporated in Singapore.

Notes to the Financial Statements

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (e) Acquisition of subsidiary, Luancheng, by an 80% owned subsidiary of the Company, SINO, during the financial year ended 31 December 2009 (cont'd)

As such, Luancheng became an 80% owned subsidiary of SINO on 27 July 2009. The balance of 20% ownership of Luancheng is held by a PRC state owned agency, Luancheng County Water Supply Station.

Effects of the acquisition of subsidiary

- (i) The cost of investment comprised the following:

	27.7.2009 RM
Purchase consideration satisfied by cash	5,146,613
Total cost of acquisition	5,146,613

- (ii) The cash outflow on acquisition is as follows:

	27.7.2009 RM
Purchase consideration satisfied by cash	5,146,613
Cash and cash equivalent of subsidiary acquired	(118,060)
Net cash outflow of the Group	5,028,553

Notes to the Financial Statements

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (e) Acquisition of subsidiary, Luancheng, by an 80% owned subsidiary of the Company, SINO, during the financial year ended 31 December 2009 (cont'd)

Effects of the acquisition of subsidiary (cont'd)

- (iii) The above acquisition had the following effects on the Group's financial position at the acquisition date.

	As restated RM	Provisional fair value recognised on acquisition RM	Acquiree's carrying amount RM
Property, plant and equipment (Note 13)	193,290	193,290	193,290
Project development expenditure (Note 15)	818,588	818,588	818,588
Inventories	186,597	186,597	186,597
Trade and other receivables	1,306,420	1,306,420	1,306,420
Cash and bank balances	118,060	118,060	118,060
	2,622,955	2,622,955	2,622,955
Trade and other payables	1,541,363	1,541,363	1,541,363
	1,541,363	1,541,363	1,541,363
Fair value of net assets	1,081,592	1,081,592	
Less: Minority interest	(216,318)	(216,318)	
Group's share of net assets	865,274	865,274	
Goodwill on acquisition (Note 22)	4,281,340	4,281,340	
Total cost of acquisition	5,146,614	5,146,614	

- (iv) The acquired subsidiary has contributed the following financial results to the Group:

	2009 RM
Revenue	292,899
Loss for the year	(643,225)

Notes to the Financial Statements

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16. INVESTMENT IN SUBSIDIARIES (CONT'D)

- (f) **Incorporation of subsidiary, Hebei Sino, by an 80% owned subsidiary of the Company, SINO, during the financial year ended 31 December 2009**

The Company was notified on 23 September 2009 by Hebei Sino, a limited liability company incorporated in Yuanshi County, Hebei Province, in the PRC under the China Company Law, that the regulatory authorities of the PRC had on 16 September 2009, issued the Enterprise Legal Representative Business Licence approving the establishment of a joint venture company, Hebei Sino, on an 80:20 ownership participation basis by SINO and Yuanshi County Panlong Industrial Water Supply Co Ltd, respectively.

As such, Hebei Sino became an 80% owned subsidiary of SINO on 16 September 2009.

Hebei Sino will be involved in the treatment and distribution of water to industrial areas in Yuanshi County, Hebei Province.

SINO had on 31 December 2009 entered into an Industrial Water Supply Project ("Yuanshi Industrial Project") Concession Agreement ("Yuanshi Water Concession Agreement") with the Water Bureau of Yuanshi County ("Yuanshi Water Bureau") in Yuanshi County, Shijiazhuang City, Hebei Province, China.

The Yuanshi Water Bureau had granted SINO the exclusive right, within the Term of the Concession and Territory of the Concession, to invest, finance, design, construct, operate and maintain the Industrial Water Supply Construction, and to provide services and charge fees to users.

The Yuanshi Industrial Project shall be undertaken by Hebei Sino.

The cost of investment comprised the following:

	RM
Purchase consideration satisfied by cash	2,817,197
Total cost of acquisition	2,817,197

The newly incorporated subsidiary has contributed the following financial results to the Group:

	2009 RM
Revenue	-
Loss for the year	(33,483)

Notes to the Financial Statements

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17. INVESTMENT IN ASSOCIATES

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Unquoted shares, at cost	42,501	42,501	42,501	42,501
Advance	1,838	683	1,838	683
Share of post-acquisition reserves	(4,601)	(2,680)	–	–
	39,738	40,504	44,339	43,184

Name	Principal Activities	Proportion (%) of ownership interest	
		2010	2009
Incorporated in Malaysia			
Oasis Water *	Dormant	40	40
Purnama Persada Sdn Bhd *	Dormant	50	50

* Audited by a firm other than Ernst & Young

The summarised financial information of the associates are as follows:

	Group 2010 RM	2009 RM
Assets and liabilities		
Current assets	93,341	94,248
Current liabilities	26,620	24,924
Results		
Revenue	–	–
Expenses	(2,603)	(1,452)
Loss for the year	(2,603)	(1,452)

Notes to the Financial Statements

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18. INVESTMENT IN JOINT VENTURE

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Advances to joint venture	7,913,521	7,312,208	6,210,697	5,075,889
Less: Accumulated impairment losses	(550,000)	–	(3,733,770)	(3,183,770)
	7,363,521	7,312,208	2,476,927	1,892,119
Share of net liabilities of the joint venture	(1,728,564)	(1,652,330)	–	–
	5,634,957	5,659,878	2,476,927	1,892,119

Name	Principal Activities	Participation interest held (%)	
		2010	2009
PNHB-Lanco-KHEC Joint Venture (Unincorporated) *	Operation and maintenance of water supply augmentation	70	70
POG-ATSB JV (Unincorporated) *	Provision of offshore and onshore engineering works	50	50
PED-PNSB JV (Unincorporated) *	Construction of water treatment facilities	40	–

* Audited by a firm other than Ernst & Young

The aggregate amounts of each of the current assets, non-current assets, current liabilities, income and expenses related to the Group's interests in the investment in joint venture are as follows:

	Group 2010 RM	2009 RM
Assets and liabilities:		
Non-current assets	105,779	85,817
Current assets	4,926,247	1,458,456
Total assets	5,032,026	1,544,273
Current liabilities	(6,760,590)	(3,196,603)
Income and expenses:		
Income	2,713,439	699,934
Expenses excluding taxation	(2,762,212)	(548,520)

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19. HELD-TO-MATURITY FINANCIAL ASSETS

	Company 2010 RM	2009 RM
Current		
Junior Notes A (Note 19(a) and 45)	285,568,993	54,687,500
Non-current		
Junior Notes A (Note 19(a))	–	239,414,063
RCULS (Note 20)	254,152,376	243,239,564
	254,152,376	482,653,627
Total held-to-maturity financial assets	539,721,369	537,341,127

(a) Junior Notes A

	Company 2010 RM	2009 RM
Nominal value	546,875,000	546,875,000
Less: Yield to maturity	(370,781,250)	(370,781,250)
At cost	176,093,750	176,093,750
Cumulative redemption (partial)	(218,750,000)	(164,062,500)
Cumulative accretion of yield to maturity	328,225,243	282,070,313
	285,568,993	294,101,563
Analysed as:		
Redeemable within 12 months	285,568,993	54,687,500
Redeemable after 12 months	–	239,414,063
	285,568,993	294,101,563

The Company had subscribed for RM546,875,000 nominal value of JNA issued on 20 November 2001 by its subsidiary, PNSB, at an issue price of RM0.322 per RM1.00 nominal value of JNA. The JNA are redeemable, unconvertible, unsecured and substantially mirror the structure of the RUN issued by the Company. The proceeds of the JNA was utilised to repay RM168,000,000 of PNSB's MCPs with the remaining balance utilised for its working capital purposes.

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19. HELD-TO-MATURITY FINANCIAL ASSETS (CONT'D)

(a) Junior Notes A (cont'd)

The main features of the JNA are as follows:

- (a) The JNA carries a coupon rate of 2.5% per annum receivable semi-annually for the immediate ten (10) years from the date of issue of the JNA and 3.5% per annum receivable semi-annually thereafter for the next five (5) years.
- (b) PNSB shall redeem the JNA in ten (10) equal installments each comprising 10% of the aggregate nominal value of all outstanding JNA commencing on the sixth (6th) anniversary of the date of issue of the JNA. On the tenth (10th) anniversary of the date of issue of the JNA, PNSB has the option to redeem the JNA by paying the principal amount outstanding on that date. On the same day, the holders of the JNA also have the option to sell the JNA back to PNSB for a consideration equivalent to the principal amount outstanding on that day.
- (c) The JNA was issued back-to-back with the RUN. Proceeds from the RUN was immediately utilised to subscribe for the JNA by the Company. Accordingly, the proceeds from the coupon payments and redemptions of the JNA would be utilised by the Company for coupon payments and redemptions of the RUN.

PNSB had on 20 November 2007, undertaken the first mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM546,875,000 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake the first mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM546,875,000 nominal value of the RUN.

On 20 November 2008, PNSB undertook the second mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM492,187,500 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a second mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM492,187,500 nominal value of the RUN.

On 20 November 2009, PNSB undertook the third mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a third mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of the RUN.

On 19 November 2010, PNSB undertook the fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM382,812,500 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM382,812,500 nominal value of RUN.

The effective interest rate applicable to the JNA at the reporting date was 16.93% (2009: 16.93%) per annum.

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20. RCULS

	Company 2010 RM	2009 RM
Nominal value	212,000,000	212,000,000
Accretion of finance costs	42,152,376	31,239,564
At amortised cost (Note 45)	254,152,376	243,239,564

On 23 February 2006, SYABAS entered into a Subscription Agreement with the Company and KDEB in relation to the issue of up to RM1,045 million nominal value of RCULS by SYABAS. The RCULS will be issued progressively to the Company and KDEB over the next four (4) years from 2006 to 2009 to finance the operations and capital expenditure requirements of SYABAS under SYABAS Concession Agreement. The commitment by the Company and KDEB to subscribe for the RCULS are up to RM731.5 million (70%) and RM313.5 million (30%) respectively and KDEB's portion of the commitment were subsequently varied pursuant to a Deed of Ratification and Accession dated 22 January 2009 given by Kumpulan Perangsang Selangor Berhad in favour of the Company and KDEB to 15% each between KDEB and Kumpulan Perangsang Selangor Berhad.

SYABAS had on 9 March 2006, issued RM135.0 million of the RCULS to the Company. Call options were given to KDEB by the Company to purchase RM40.5 million of the RCULS from the Company at an Option Premium of RM0.1035 for every RM1.00 of the RCULS and was payable on 22 February 2007. Interest at the rate of 7% per annum on the nominal value of the RCULS was charged to KDEB and is payable to the Company on the date of purchase of the RCULS by KDEB or on 22 February 2007, whichever is the earlier.

On 22 May 2007, SYABAS issued a further RM77 million of RCULS to the Company.

The RCULS will be redeemed in full by SYABAS 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 SYABAS at the Conversion Price of RM1 payable for every new share to be issued pursuant to the conversion of the RCULS or such other 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.

	Company 2010 RM	2009 RM
Interest on RCULS receivable from SYABAS (Note 6(a))	10,912,812	10,074,764

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21. DSRA

	Group 2010 RM	2009 RM
DSRA maintained in relation to:		
- RM1,020,000,000 10-Year BAIDS	236,379,735	219,189,324
- BAMTN Programme and RM410 million and RM250 million Term Loans	60,891,346	59,416,485
	297,271,081	278,605,809

(i) RM1,020,000,000 10-Year BAIDS

Under the terms of the agreement for the issue of the RM1,020,000,000 10-Year BAIDS Issuance Facility by its subsidiary, PNSB, a deposit equivalent to twelve (12) months projected payment obligations under the BAIDS that are outstanding at any point in time is required to be placed in a DSRA. This DSRA is maintained with licensed financial institutions. PNSB is not entitled to withdraw any money from the DSRA without prior written consent of the Security Trustee except on condition that the BAIDS have been fully redeemed (Note 30(b)).

The deposits held in the DSRA is maintained for long-term until the full redemption and expiry of the BAIDS on 27 October 2016 (Note 30(b)) and is presently yielding interest income at market interest rates.

The weighted average effective interest rate applicable to the deposits held in the DSRA at the reporting date was 3.14% (2009: 2.53%) per annum.

(ii) BAMTN programme and RM410 million and RM250 million Term Loans

Under the terms of the BAMTN Programme and RM410 million and RM250 million Term Loans facility, SYABAS 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 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 12 months (to be built up in 12 equal monthly installments during the preceding 12 months on a straight line basis). This DSRA is maintained with licensed financial institutions.

The deposits are held for long-term until the full redemption/repayment and expiry of the BAMTN Programme and RM410 million and RM250 million Term Loans.

The weighted average effective interest rate applicable to the deposits held in the DSRA for this purpose at the reporting date was 2.98% (2009: 2.74%) per annum.

At the reporting date, the carrying amount of the deposits held in the DSRA approximated the fair value.

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22. GOODWILL

	Group 2010 RM	2009 RM
Cost		
At 1 January	515,312,455	511,072,350
Acquisition of subsidiary - Luancheng (Note 16(e))	-	4,281,340
Subscription of additional equity interest in subsidiary (Note 16(b))	68,112	-
Exchange differences	(507,555)	(41,235)
At 31 December	514,873,012	515,312,455

(a) SYABAS

The goodwill arising from prior years is in relation to the acquisitions of SYABAS and PUAS which was completed on 15 December 2004 and 1 January 2005 respectively. SYABAS assumed the operations of PUAS following the privatisation of the water supply services in Selangor and Federal Territories of Kuala Lumpur and Putrajaya to SYABAS on 1 January 2005.

SYABAS and PUAS are identified as one combined CGU. The recoverable amount of this CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by Management covering the entire concession period of 30 years commencing 1 January 2005 to 31 December 2034. A cash flow projection of more than 5 years is used as the Directors are of the opinion that there are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Tariff increase

The annual rate of tariff increase used in the projections is based on the scheduled tariff and tariff adjustment formula, as set out in the SYABAS Concession Agreement. It is assumed that the agreed tariff will be gazetted and shall take effect for the applicable operating period on the relevant tariff adjustment dates.

(ii) Water purchase costs

The assumptions on the water purchase are made based on the existing agreements with the water treatment operators and water purchase in the future which have been assessed by the Independent Valuers which will be updated by new studies when historical water demand varies significantly from the projected water demand.

For the purpose of the cash flow projections, SYABAS has incorporated escalation rates ranging from 1.5% to 2.5% per annum of the bulk supply rate and fixed capacity payment respectively for projection of the cost of purchasing water from the respective water treatment operators.

(iii) NRW

The NRW rate is projected to reduce based on the targets set in the SYABAS Concession Agreement.

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22. GOODWILL (CONT'D)

(a) SYABAS (cont'd)

(iv) Capital expenditure

The assumptions on capital expenditure for development and upgrading of distribution system, asset management and replacement programme and NRW reduction programme have been made based on the planned programmes as set out in the Concession Agreement.

(v) Discount rate

The discount rate used in the cash flow projections is 7% per annum.

Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

(b) PNSB

This goodwill arose from the acquisition of 17.5% equity interest in PNSB which was completed on 22 October 2008.

The recoverable amount of this CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering the entire Concession Period as disclosed in Note 4. Cash flow projections of more than 5 years is used as the directors are of the opinion that there are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Production volume

The production volume is based on the actual production or minimum designated quantity as specified under the concession agreements. The production is based on the current capacities and it is assumed that the same capacities apply in the future.

(ii) BSR

BSR used in the projections is based on the scheduled BSR and adjusted by a BSR adjustment formula which accounts for increases in cost components based on expected market rates both of which are, as set out in the respective concession and privatisation agreements. The expected market rates are based on escalation rates of 0.7% to 3%.

(iii) Capital expenditure

The assumptions on capital expenditure for operational and maintenance of water treatment facilities are based on operational and maintenance requirements set out in the concession and privatisation agreements.

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22. GOODWILL (CONT'D)

(b) PNSB (cont'd)

(iv) Discount rate

The discount rate used in the cash flow projections is 11% per annum.

Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

(c) LUWEI and Luancheng

This goodwill arose from the acquisitions of 83% and 80% equity interest in LUWEI and Luancheng respectively which were completed on 19 August 2008 and 27 July 2009.

The recoverable amount of this CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering the entire Concession Period as disclosed in Note 4. Cash flow projections of more than 5 years is used as the directors are of the opinion that there are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Tariff adjustment

The tariff adjustment used in the projection is based on stated applicable law. The Concession Agreement allows water tariffs to be adjusted every three years. These adjustments will consider factors affecting the operating costs. Management expects the tariff to increase by 15% every three years.

(ii) Growth rate

The average daily throughput capacity is expected to increase 6% annually from 48% to full capacity for the period between financial year 2011 and financial year 2019. The water treatment plant is expected to maintain 100% throughput capacity starting from financial year 2019 to the end of the concession period.

(iii) Discount rate

The discount rate used in the cash flow projection is 10% to 11% per annum.

(iv) Sensitivity to changes in assumptions

There are no reasonable possible changes in key assumptions which could cause the carrying value of goodwill on consolidation to exceed its recoverable amount.

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23. TRADE AND OTHER RECEIVABLES

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Current				
Trade receivables				
Third parties	227,921,945	233,699,509	-	-
Amount due from State Government	852,901,002	434,183,737	-	-
Progress billings receivable	30,223,555	28,452,397	-	-
	1,111,046,502	696,335,643	-	-
Less: Allowance for impairment	(6,058,089)	(7,081,875)	-	-
Trade receivables, net	1,104,988,413	689,253,768	-	-
Other receivables				
Advances and loans to staff	1,056,577	881,049	-	-
Amounts due from subsidiaries	-	-	63,428,853	49,890,202
Advance to project contractors	6,506,239	16,032,477	-	-
Interest receivable	4,016,529	3,145,399	219,205	375,781
Amount due from collection agencies	6,796,275	7,267,049	-	-
Sundry receivables	16,968,991	18,112,934	111,527	3,403,057
Deposits	8,585,443	5,858,293	3,855	3,855
	43,930,054	51,297,201	63,763,440	53,672,895
	1,148,918,467	740,550,969	63,763,440	53,672,895
Non-current				
Trade receivables				
Long-term receivables	284,706,684	367,966,000	-	-
Other receivables				
Advances to a subsidiary	-	-	-	16,733,353
	284,706,684	367,966,000	-	16,733,353
Total trade and other receivables (current and non-current)	1,433,625,151	1,108,516,969	63,763,440	70,406,248
Add: Cash and bank balances (Note 29)	1,215,266,678	1,186,201,882	180,088,126	239,328,051
Short term funds (Note 26)	35,231	30,329,949	-	-
Tax recoverable	653,790	2,135,308	-	-
Total loans and receivables	2,649,580,850	2,327,184,108	243,851,566	309,734,299

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23. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 14 day (2009: 14 day) terms. 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. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

The balance included an amount due from Serba Tiara amounting to RM50,200,000 (2009: RM37,650,000) in respect of the supply of bulk quantity of treated water to the State Government as disclosed in Note 23(f).

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables excluding the amount due from State Government is as follows:

	Group 2010 RM	2009 RM
Neither past due nor impaired	183,942,132	191,904,516
1 to 30 days past due not impaired	17,641,744	18,411,071
31 to 154 days past due not impaired	19,238,530	17,771,258
More than 155 days past due not impaired	31,265,005	26,983,185
	68,145,279	63,165,514
Impaired	6,058,089	7,081,875
	258,145,500	262,151,905

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 96% (2009: 95%) of the Group's trade receivables arise from customers with more than four years of experience with the Group and losses have occurred infrequently.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM68,145,279 (2009: RM63,165,514) that are past due at the reporting date but not impaired.

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23. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables (cont'd)

Receivables that are impaired

The Group'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 2010 RM	2009 RM
Individually impaired:		
Trade receivables—nominal amounts	6,058,089	7,081,875
Less: Allowance for impairment	(6,058,089)	(7,081,875)
	—	—

Movement in allowance accounts:

	Group 2010 RM	2009 RM
At 1 January	7,081,875	9,965,616
Reversal of impairment losses (Note 6)	(7,900)	(3,259,203)
(Utilisation)/Reversal of deposit from customers (Note 31(f))	(1,015,886)	375,462
At 31 December	6,058,089	7,081,875

(b) Amount due from the State Government

This represents cumulative water tariff compensation receivable for the years ended 31 December 2010 and 2009 respectively arising from the new water tariff as disclosed in Note 3.1(c) and 3.2.

(c) Amount due from subsidiaries

The amount due from subsidiaries are interest free, unsecured and repayable on demand.

(d) Advances to a subsidiary

In prior year, the advances to a subsidiary, PNSB, was unsecured, interest free and are not expected to be repaid within 12 months. The amount due has been settled during the financial year.

(e) Advance to project contractors

Advance to project contractors represents advance made for the purchase of construction materials and will be repaid through contra against progress billings by the project contractors. The amount is unsecured and interest free.

Notes to the Financial Statements

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23. TRADE AND OTHER RECEIVABLES (CONT'D)

(f) Long-term receivables: Non-current

The long-term receivables represent an amount due from a customer, i.e. the State Government, in respect of the supply of bulk quantity of treated water supplied to the State Government. On 3 February 2005, the State Government entered into a Novation Agreement with Serba Tiara, whereby Serba Tiara shall assume and take over the State Government's obligations to pay to PNSB RM518.566 million in ten (10) annual installments commencing year 2006.

	Group 2010 RM	2009 RM
At 1 January	405,616,000	443,266,000
Long-term receivable repaid	(37,650,000)	(37,650,000)
Effect of adoption FRS 139 (Note 2.2)	(46,749,561)	–
Accretion of interest on long-term receivable (Note 6(a))	13,690,245	–
At 31 December	334,906,684	405,616,000
Maturity of loans and receivables:		
Due within 1 year included in trade receivable (Note 23(a))	50,200,000	37,650,000
Due more than 1 year	284,706,684	367,966,000
	334,906,684	405,616,000

24. OTHER CURRENT ASSETS

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Amount due from customer on construction contract (Note 27)	1,728,480	9,408,241	–	–
Prepayment for project	8,912,100	8,912,100	8,912,100	8,912,100
Prepayments	4,631,225	3,611,068	–	–
	15,271,805	21,931,409	8,912,100	8,912,100

(a) Prepayment for project

The balance relate to the cash consideration paid to GESL amounting to RM8,912,100 (2009: RM8,912,100) for the acquisition of the Agreed Projects in China. The balance is fully refundable to the Company if the acquisition of the Agreed Projects in China was unable to complete.

Notes to the Financial Statements

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25. AVAILABLE-FOR-SALES INVESTMENTS

	Group		Group	
	2010 Carrying amount RM	Market value RM	2009 Carrying amount RM	Market value RM
Unquoted				
At 1 January	4,601,661		3,401,310	
Addition	80,000,000		–	
Fair value gain (Note 6(b))	–		1,200,351	
Gain from disposal of investment (Note 6(b))	1,907,773		–	
Disposal	(86,509,434)		–	
At 31 December	–	–	4,601,661	4,601,661

Other investments represents fund placements in the Public Islamic Opportunity Fund, Public China Ittikal Fund, Public Islamic Balance Fund and Public Islamic Dividend Fund.

26. SHORT TERM FUNDS

	Group	
	2010 RM	2009 RM
At 1 January	30,329,949	–
Placement	–	30,329,949
Withdrawal	(30,294,718)	–
At 31 December	35,231	30,329,949

Short term funds represents fund placement in the Aiman Cash Fund.

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27. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	Group 2010 RM	2009 RM
Construction contracts costs incurred to date	350,353,399	330,447,127
Attributable profits	702,235	409,726
Less: Provision for foreseeable losses	(5,200,062)	(1,874,068)
	345,855,572	328,982,785
Less: Progress billings	(350,673,121)	(323,735,955)
	(4,817,549)	5,246,830
Presented as:		
Due from customers on construction contract (Note 24)	1,728,480	9,408,241
Due to customers on construction contract (Note 32)	(6,546,029)	(4,161,411)
	(4,817,549)	5,246,830

The construction contract undertaken by the Group in relation to design and implementation of various water supply scheme.

28. INVENTORIES

	Group 2010 RM	2009 RM
Cost		
Water treatment chemicals	2,828,800	2,758,386
Spare parts and equipment	13,683,546	11,100,340
	16,512,346	13,858,726

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM29,621,880 (2009: RM27,882,719).

Notes to the Financial Statements

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29. CASH AND BANK BALANCES

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Deposits with licensed banks	1,151,081,295	1,089,977,518	172,211,766	239,169,111
Cash and bank balances	64,185,383	96,224,364	7,876,360	158,940
	1,215,266,678	1,186,201,882	180,088,126	239,328,051

Included in cash and bank balances of the Group is an amount of RM1,932,339 (2009: RM4,051,622), being deposits held in trust for consumer deposits.

Included in the deposits with licensed banks of the Group are monies of RM160,217,875 (2009: RM136,534,110), representing consumers' deposits collected by SYABAS with effect from 1 January 2005 following the privatisation of water supply services in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

Included in cash and bank balances of the Group, are monies of RM314,978 (2009: RM9,932,248) arising from government grant, which are only available for NRW works and not for other operational use. NRW refers to such part of the works undertaken by SYABAS for the purpose of reducing non-income generating unaccountable water loss.

Included in the deposits with licensed banks of the Company, are monies of RM1,540,768 (2009: RM29,667,243) arising from government grants of which RM Nil (2009: RM16,976,255) represents interest payable to the government after the full utilisation of the grant or upon termination of the KeTTHA Grant Supplemental Agreement, whichever is earlier.

Included in the deposits with the licensed banks of the Group is an amount of RM326.8 million (2009: RM180 million) which is placed with a third party as disclosed in Note 30(b) and are restricted from use in other operations. Subsequent to year end, the deposits with licensed bank was uplifted by the Group in connection with the internal restructuring of the BAIDS Series 4 and 6, resulting in the Company holding the BAIDS Series 4 and 6.

The weighted average effective return applicable to deposits with licensed banks at the reporting date was 2.89% (2009: 2.48%) per annum.

Deposits of the Group with licensed banks have an average maturity of 80 days (2009: 90 days).

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29. CASH AND BANK BALANCES (CONT'D)

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the reporting date:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Deposits with licensed banks	1,151,081,295	1,089,977,518	172,211,766	239,169,111
Cash and bank balances	64,185,383	96,224,364	7,876,360	158,940
	1,215,266,678	1,186,201,882	180,088,126	239,328,051
Held in trust	(162,150,214)	(140,585,732)	–	–
Short term funds (Note 26)	35,231	30,329,949	–	–
Total cash and cash equivalents	1,053,151,695	1,075,946,099	180,088,126	239,328,051

30. LOANS AND BORROWINGS

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Current				
Secured:				
Government Support Loan	7,016,667	6,812,298	–	–
BAIDS	510,000,000	330,000,000	–	–
RUN	284,875,086	54,687,500	285,568,993	54,687,500
Obligation under finance leases (Note 38(c))	4,500,344	4,165,442	–	–
	806,392,097	395,665,240	285,568,993	54,687,500
Non-current				
Secured:				
Government Support Loan	46,748,281	53,764,948	–	–
BAIDS	506,311,210	686,034,796	–	–
RUN	–	238,003,418	–	239,414,063
BAMTN	2,038,214,663	2,027,994,617	–	–
RM410 million and RM250 million Term Loans	659,974,712	651,028,431	–	–
Government Loan	320,800,000	320,800,000	–	–
Obligation under finance leases (Note 38(c))	9,962,802	4,289,836	–	–
RPS	605,211,919	523,400,000	–	–
	4,187,223,587	4,505,316,046	–	239,414,063

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30. LOANS AND BORROWINGS (CONT'D)

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Unsecured:				
RUBs	465,745,909	451,502,032	–	–
RCULS	20,756,736	19,171,335	–	–
Lushan MOF Novated World Bank Loan	6,844,867	5,114,659	–	–
	493,347,512	475,788,026	–	–
	4,680,571,099	4,981,104,072	–	239,414,063
Total loans and borrowings	5,486,963,196	5,376,769,312	285,568,993	294,101,563

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
On demand or within one year	806,392,097	395,665,240	285,568,993	54,687,500
More than 1 year and less than 2 years	191,401,206	245,245,541	–	54,687,500
More than 2 year and less than 5 years	913,145,789	337,149,414	–	164,062,500
5 years or more	3,576,024,104	4,398,709,117	–	20,664,063
	5,486,963,196	5,376,769,312	285,568,993	294,101,563

The BAIDS, RUN, BAMTN and RUBs are further analysed as follows:

	Group BAIDS 2010 RM	2009 RM	2010 RM	Group RUN 2009 RM
Nominal value	1,020,000,000	1,020,000,000	546,875,000	546,875,000
Less: Yield to maturity *	(15,085,005)	(15,085,005)	(376,629,915)	(376,629,915)
Net proceeds	1,004,914,995	1,004,914,995	170,245,085	170,245,085
Redemption	(150,000,000)	(150,000,000)	(218,750,000)	(164,062,500)
Issuance	150,000,000	150,000,000	–	–
Accreted finance cost	11,396,215	11,119,801	333,380,001	286,508,333
	1,016,311,210	1,016,034,796	284,875,086	292,690,918

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30. LOANS AND BORROWINGS (CONT'D)

The BAIDS, RUN, BAMTN and RUBs are further analysed as follows: (cont'd)

	Group BAMTN		Group RUBs	
	2010 RM	2009 RM	2010 RM	2009 RM
Nominal value	2,125,000,000	2,125,000,000	435,000,000	435,000,000
Less: Yield to maturity *	(125,176,289)	(125,176,289)	(19,704,683)	(19,704,683)
Net proceeds	1,999,823,711	1,999,823,711	415,295,317	415,295,317
Accumulative accreted finance cost	38,390,952	28,170,906	50,450,592	36,206,715
	2,038,214,663	2,027,994,617	465,745,909	451,502,032
			Company RUN	
			2010 RM	2009 RM
Nominal value			546,875,000	546,875,000
Less: Yield to maturity *			(370,781,250)	(370,781,250)
Proceeds from issue			176,093,750	176,093,750
Redemption			(218,750,000)	(164,062,500)
Accreted finance cost			328,225,243	282,070,313
			285,568,993	294,101,563

* Include debt issuance expenses.

(a) Government Support Loan

The Government Support Loan from the Federal Government in 1998 was 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 was originally repayable in equal annual installments over a period of twenty (20) years commencing on 11 April 1999. Interest was originally accrued and payable to the Government at the fixed rate of 8% per annum.

On 11 April 2004, the Federal Government restructured the Government Support Loan by reducing the interest rate to 3% per annum retrospectively and accordingly revised the repayment schedule of the loan.

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30. LOANS AND BORROWINGS (CONT'D)

(b) BAIDS/MCPs/MMTNs

On 12 October 2000, PNSB 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, PNSB issued the entire BAIDS and RM120,000,000 of the MCPs, the proceeds of which were utilised to repay in full the Revolving Underwriting Facility of RM800,000,000 and Term Loan of RM300,000,000.

On 19 October 2005, the holders of the BAIDS approved the proposed extension of the BAIDS with the following variations to the BAIDS:

- (i) extension of the tenure of the BAIDS with a put and call option for redemptions attached, exercisable on the original maturity dates of the BAIDS as follows:

Series	Nominal value RM	Maturity dates
Series 1	180,000,000	From 27 October 2005 to 27 October 2015
Series 2	180,000,000	From 27 October 2006 to 27 October 2016
Series 3	180,000,000	From 27 October 2007 to 27 October 2011
Series 4	180,000,000	From 27 October 2008 to 27 October 2012
Series 5	150,000,000	From 27 October 2009 to 27 October 2013
Series 6	150,000,000	From 27 October 2010 to 27 October 2014
	1,020,000,000	

- (ii) revision of the profit payment in respect of the BAIDS for the extended tenures.

- (iii) allowing PNSB to apply monies in the DSRA for undertaking certain forms of permitted investments.

PNSB has obtained the approval from the Securities Commission on 19 December 2005 to revise the tenure of the BAIDS.

On 24 October 2008, PNSB exercised its call option for the extension of the tenure of Series 4 with nominal value of RM180,000,000 to 27 October 2012. Pursuant to the extension, Series 4 have been placed with a third party over a period of 90 days from 24 October 2008 to 22 January 2009. Subsequently the placement has been rolled over three (3) 90 day periods from 22 January 2009 to 22 April 2009, 22 April 2009 to 22 July 2009, 22 July 2009 to 22 October 2009, one (1) 187 days period from 22 October 2009 to 27 April 2010, one (1) 183 days period from 22 April 2010 to 22 October 2010, one (1) 183 days period from 22 October 2010 to 22 April 2011 respectively. The third party has been granted a put option to redeem Series 4 at anytime during the respective 183 days periods ("Option Periods").

On 24 October 2010, PNSB exercised the option to extend the tenure of Series 6 with nominal value of RM150,000,000 to 27 October 2014. Pursuant to the extension, Series 6 have been placed with a third party over a period of 92 days from 27 October 2010 to 27 January 2011. Subsequently the placement has been rolled over 32 day periods from 27 January 2011 to 27 February 2011, 27 February 2011 to 27 March 2011, 27 March 2011 to 27 April 2011. The third party has been granted a put option to redeem Series 6 at anytime during the respective 31 days periods ("Option Periods").

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30. LOANS AND BORROWINGS (CONT'D)

(b) BAIDS/MCPs/MMTNs (cont'd)

As disclosed in Note 29, deposits of RM326.8 million have been placed with the third party during the Option Periods and will be set-off against the BAIDS Series 4 and 6 with nominal value of RM180 million and RM150 million respectively should the put option be exercised by the third party.

On 7 April 2011, the BAIDS Series 4 and 6 were restructured internally resulting in the Company holding BAIDS Series 4 and 6.

The facilities for the BAIDS are secured by way of deposit of an aggregate sum in the DSRA equivalent to twelve (12) months projected payment obligations under the BAIDS that are outstanding at any point in time. PNSB is not entitled to withdraw any money from the DSRA without prior consent from the Security Trustee except on condition that the BAIDS have been fully redeemed. In addition, the facilities are also secured by fixed charges over all assets of PNSB, the rights of PNSB under the Concession Agreements, construction contracts and project agreements undertaken by PNSB.

No dividend will be declared and paid by PNSB where inter-alia:

- (a) the outstanding balance in the DSRA is less than 1.0 time of the aggregate quantum of the Issuer's payment obligations under the BAIDS for a period of twelve (12) months commencing from the date on which the dividend is contemplated; or
- (b) the Annual Debt Service Cover Ratio and the Forward Debt Service Cover Ratio are less than 1.7 times.

PNSB will also be required to maintain the following financial ratios, which will be measured annually commencing on 31 December 2001:

- (i) Interest Cover Ratio of at least 2.0 times;
- (ii) Debt Equity Ratio of not more than 4.0 times; and
- (iii) Annual Debt Service Cover Ratio of at least 1.25 times.

On 6 April 2011, Malaysian Rating Corporation Berhad ("MARC") had taken various rating actions on the Selangor water sector issuers, including the rating actions against the Company and its wholly owned and 70% owned subsidiaries, namely PNSB and SYABAS respectively (the Company, PNSB and SYABAS to be hereinafter collectively referred to as the "Group") which had resulted in the changes to the ratings for the Group's debt as disclosed in Note 47(h).

(c) RUN

On 20 November 2001, the Company issued RM546,875,000 Nominal Value 15-Year RUN with 109,374,869 free detachable warrants at an issue price of RM0.322 per RM1.00 nominal value of the RUN on the basis of RM5.00 nominal value of the RUN with one (1) free warrant for every four (4) existing ordinary shares of RM1.00 each held in the Company. The RUN was offered to the entitled shareholders and is constituted by a Trust Deed dated 5 September 2001. The RM176,093,750 proceeds (excluding debt issuance expenses) from the RUN issue was immediately utilised to subscribe for the JNA issued by PNSB. PNSB subsequently, utilised the proceeds to repay RM168,000,000 of its MCPs with the remaining balance utilised for its working capital purposes.

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30. LOANS AND BORROWINGS (CONT'D)

(c) RUN (cont'd)

The main features of the RUN and the warrants are as follows:

- (a) The RUN carries a coupon rate of 2.5% per annum payable semi-annually for the immediate ten (10) years from the date of the issue of the RUN and 3.5% per annum payable semi-annually thereafter for the next five (5) years.
- (b) The Company shall redeem the RUN in ten (10) equal installments each comprising 10% of the aggregate nominal value of all outstanding RUN commencing on the sixth (6th) anniversary of the date of issue of the RUN. On the tenth (10th) anniversary of the date of issue of the RUN, the Company has the option to redeem the RUN by paying the principal amount outstanding on that date. On the same day, the holders of the RUN also have the option to sell the RUN back to the Company for a consideration equivalent to the principal amount outstanding on that day.
- (c) The RUN and the warrants are transferable and are quoted on Bursa Securities.
- (d) The RUN is secured on the JNA issued by PNSB. The Company is required to create a security account to receive only proceeds from coupon payment and redemption of the JNA by PNSB, and thereafter to pay the coupon payment and redemption of the RUN.
- (e) Holders of the warrants have the right to subscribe for new ordinary shares of the Company in cash at any time during the period commencing one (1) day after the date of issue of the warrants and ending on the date being five (5) years from the date of the issue of the warrants ("Exercise Period"). The exercise price of the warrants is RM2.62 per new ordinary share of the Company subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll dated 5 September 2001.
- (f) The warrants that are not exercised during the Exercise Period will lapse and become void thereafter.
- (g) The new ordinary shares issued arising from the exercise of the warrants during the Exercise Period shall rank pari-passu in all respects with the then existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the date of allotment of the said new ordinary shares.

The Company is restricted from declaring and paying any dividends:

- (i) if there is any amount due but not paid under the RUN; or
- (ii) in the event a default has occurred or is continuing and has not been waived.

PNSB had on 20 November 2007, undertaken the first mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM546,875,000 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM546,875,000 nominal value of RUN.

On 20 November 2008, PNSB undertook the second mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM492,187,500 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a second mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM492,187,500 nominal value of RUN.

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30. LOANS AND BORROWINGS (CONT'D)

(c) RUN (cont'd)

On 20 November 2009, PNSB undertook the third mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a third mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of RUN.

On 19 November 2010, PNSB undertook the fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM382,812,500 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM382,812,500 nominal value of RUN.

(d) BACP Programme/BAMTN Programme

On 19 September 2005, SYABAS entered into several agreements with a consortium of banks comprising BIMB, CIMB Bank, CIMB and HSBC in respect of the issue of up to RM200 million nominal value BACP Programme and up to RM3 billion nominal value BAMTN Programme.

On 30 September 2005, SYABAS 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 will mature beginning 30 September 2013 and on an annual basis, for each series issued. Redemptions will be made at nominal value.

On 18 May 2007, SYABAS 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 7 September 2007, SYABAS completed the first issuance of the BACP with an aggregate nominal value of RM10 million, which was fully repaid on 5 October 2007.

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30. LOANS AND BORROWINGS (CONT'D)

(d) BACP Programme/BAMTN Programme (cont'd)

On 20 February 2008, SYABAS issued BAMTN with an aggregate nominal value of RM230 million, 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, SYABAS further issued BAMTN with an aggregate nominal value of RM500 million, 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.

SYABAS is required to maintain the following financial ratios:

- (i) Debt to Equity Ratio of not more than 75:25 from 2005 to 2008, both years inclusive and not more than 70:30 from and including 2009 until the expiry of the BAMTN Programme; and
- (ii) Finance Service Cover Ratio of not less than 1.25 times from 2005 to 2008, both years inclusive and not less than 1.50 times from and including 2009 until the expiry of the BAMTN Programme.

BACP/BAMTN are sharing the same securities as listed in Note 30(e). 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.

SYABAS is 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; or
- (ii) the Finance Service Cover Ratio is breached or will be breached if calculated immediately following such payment or distribution; or
- (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 RPS from year 2015 onwards.

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30. LOANS AND BORROWINGS (CONT'D)

(e) RM410 million and RM250 million Term Loans

SYABAS obtained Term Loan facilities of up to RM410 million and RM250 million from BPMB 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) respectively.

These Term Loan are repayable as follows from the date of the first drawdown:

	RM410 million Term Loan RM	RM250 million Term Loan RM
Month 204 (17 years)	73,240,000	50,000,000
Month 216 (18 years)	77,380,000	50,000,000
Month 228 (19 years)	81,750,000	50,000,000
Month 240 (20 years)	86,370,000	50,000,000
Month 252 (21 years)	91,260,000	50,000,000
	410,000,000	250,000,000

The above Term Loans are secured via the following:

- A debenture incorporating fixed and floating charges over all present and future assets of SYABAS, both movable and immovable;
- Assignment of all rights, titles and benefits under the SYABAS 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% (2009: 5.65%) per annum.

(f) RUBs

During the financial year ended 31 December 2006, PNSB restructured RM320,000,000 shareholders' advances owing to the Company into a new marketable security via the issuance of RM435,000,000 nominal value of RUBs to the Company.

Following the above, the Company sold the RUBs to ATSB for a total consideration of RM418,969,134 (excluding debt issuance expenses), satisfied via a cash consideration of RM132,719,134 and the balance being satisfied via the issuance of 286,250,000 preference shares with par value of RM0.01 in ATSB at an issue price of RM1.00 each. The disposal of the RUBs to ATSB effectively resulted in the Group raising additional borrowings of RM418,969,134 on initial recognition, which will be subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

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31 December 2010

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30. LOANS AND BORROWINGS (CONT'D)

(f) RUBs (cont'd)

The maturity date of the RUBs is 10 years from the issue date. The RUBs 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 RUBs shall be redeemed by the issuer at par or at its respective nominal value on the maturity date.

(g) RCULS

On 23 February 2006, SYABAS entered into a Subscription Agreement with the Company and KDEB in relation to the issue of up to RM1,045 million nominal value of RCULS by SYABAS. The RCULS will be issued progressively to the Company and KDEB over the next four (4) years from 2006 to 2009 to finance the operations and capital expenditure requirements of SYABAS under SYABAS Concession Agreement. The commitment by the Company and KDEB to subscribe for the RCULS are up to RM731.5 million (70%) and RM313.5 million (30%) respectively and KDEB's portion of the commitment were subsequently varied pursuant to a Deed of Ratification and Accession dated 22 January 2009 given by Kumpulan Perangsang Selangor Berhad in favour of the Company and KDEB to 15% each between KDEB and Kumpulan Perangsang Selangor Berhad.

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. SYABAS had on 9 March 2006 issued RM135.0 million of the RCULS to the Company. Interest at the rate of 7% per annum on the nominal value of the RCULS is payable by SYABAS to the RCULS holders.

On 22 May 2007 and 29 May 2007, SYABAS issued a further RM77 million and RM33 million of RCULS to the Company and KDEB respectively.

The RCULS will be redeemed in full by SYABAS 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 SYABAS 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 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. The RCULS are regarded as compound instruments, consisting of a liability component and an equity component.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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30. LOANS AND BORROWINGS (CONT'D)

(g) RCULS (cont'd)

The proceeds received from the issue of the RCULS to KDEB have been splitted between the liability component and equity component, representing the fair value of the conversion option. The RCULS issued to KDEB are accounted for in the statement of financial position of the Group as follows:

	Group 2010 RM	2009 RM
Liability component		
Nominal value of RCULS	33,000,000	33,000,000
Equity component, net of deferred taxation (held by Minority Interest) (Note 35)	(13,130,387)	(13,130,387)
Deferred taxation	(4,376,796)	(4,376,796)
Liability component as at date of issuance	15,492,817	15,492,817
Accretion of finance costs	5,263,919	3,678,518
Liability component as at 31 December (held by Minority Interest)	20,756,736	19,171,335

(h) Lushan MOF Novated World Bank Loan

This is the loan granted to the PRC government by the World Bank to fund the Water Supply Project in Henan Province, which was novated to LUWEI to finance the construction of a water treatment plant and upgrading of existing pipe network. The total loan amount is USD3,830,000 subject to actual drawdown amount approved by the local PRC government. The loan is unsecured and is repayable quarterly commencing on 31 December 2011 and ending on 31 March 2020.

(i) Government Loan

On 16 December 2009, SYABAS had entered into a Government Loan Agreement with the Federal Government in respect of a loan facility of RM320.8 million ("Government Loan") granted to SYABAS 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 (5th) year from first (1st) drawdown i.e. grace period of four (4) years.
- (iv) Default Interest : Eight percent (8.00%) 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 SYABAS.
- (vi) Other Terms : As privately agreed with the Federal Government.

The Government Loan was fully utilised by SYABAS to pay water treatment operators, namely, PNSB, ABASS and SPLASH for water purchased.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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30. LOANS AND BORROWINGS (CONT'D)

(j) Obligation Under Finance Leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 3.24% per annum (2009: 3.24% per annum).

(k) RPS

On 6 May 2005, SYABAS entered into a Subscription Agreement with the MOF in relation to the subscription of 655 million RPS to be issued by SYABAS at a total subscription price of RM655 million. MOF has agreed to subscribe for a total of 655 million RPS of RM0.01 each of SYABAS, 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 year 2007 until 2011. The RPS is not convertible into ordinary shares of SYABAS but may be redeemed by SYABAS commencing on 31 December 2021 until 31 December 2025 in five (5) equal tranches of RM131 million nominal value for each of the years.

The subscriptions of the total number of 655 million RPS of RM0.01 each of SYABAS shall be made as follows:

Subscription Period	Subscription Price RM	Number of RPS
15 January 2007 to 14 January 2008	125,400,000	125,400,000
15 January 2008 to 14 January 2009	184,200,000	184,200,000
15 January 2009 to 14 January 2010	213,800,000	213,800,000
15 January 2010 to 14 January 2011	131,600,000	131,600,000
	655,000,000	655,000,000
	2010 RM	2009 RM
At 1 January	523,400,000	309,600,000
Subscription during the year	131,600,000	213,800,000
Effect of adoption FRS 120 (Note 33)	(54,309,571)	–
Fair value loss on RPS (Note 10)	4,521,490	–
At 31 December	605,211,919	523,400,000

Notes to the Financial Statements

For the financial year ended
31 December 2010

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30. LOANS AND BORROWINGS (CONT'D)

(k) RPS (cont'd)

On 8 May 2007, SYABAS issued 125.4 million of RPS of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to MOF.

On 11 March 2008, SYABAS has further issued 184.2 million RPS of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to MOF.

On 30 March 2009, SYABAS has further issued 213.8 million RPS of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to MOF.

On 26 March 2010, SYABAS has further issued 131.6 million RPS of RM0.01 each at an issue price of RM1.00 per RPS (a premium of RM0.99 per RPS) to MOF.

Each RPS shall confer on its holder(s) 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 not earlier than 31 December 2015 (which date is to be determined at the sole discretion of SYABAS), 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 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 SYABAS and the Security Agent.

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 11 equal installments commencing in the year 2015 and ending in the year 2025. Such installment 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.

- (ii) 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 SYABAS, other than redemption, up to the paid-up value of RM1 for each RPS with a par value of RM0.01 and a premium of RM0.99.
- (iii) The RPS shall carry no right to receive notice of or to attend or vote at any general meeting of SYABAS other than on a resolution to amend or vary the rights of holders of the RPS.

Notes to the Financial Statements

For the financial year ended
31 December 2010

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30. LOANS AND BORROWINGS (CONT'D)

(k) RPS (cont'd)

Each RPS shall confer on its holder(s) the following rights: (cont'd)

(iv) SYABAS shall redeem each RPS on the following dates and in the following proportions:

Date	RM
31 December 2021	131,000,000
31 December 2022	131,000,000
31 December 2023	131,000,000
31 December 2024	131,000,000
31 December 2025	131,000,000
	655,000,000

(v) No RPS shall be convertible into ordinary shares of SYABAS.

(vi) 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.

The RPS shall rank ahead of all other shares issued or to be issued by SYABAS, be it preference, ordinary or otherwise. In addition, SYABAS shall ensure that all advances or loans from shareholders of SYABAS shall, to the extent permissible by law, rank behind the RPS in terms of payment in a winding-up of SYABAS.

(l) Effective Interest Rates

The effective interest rates per annum applicable to the borrowings at the reporting date were as follows:

	Effective interest rate per annum	
	2010 %	2009 %
Group		
Government Support Loan	3.00	3.00
BAIDS	4.65 - 8.20	4.65 - 8.20
RUN	16.93	16.93
BAMTN	5.00 - 8.24	5.00 - 8.24
RM410 million and RM250 million Term Loans	5.65	5.65
RUBs	8.25	8.25
RCULS	4.40	4.40
Lushan MOF Novated World Bank Loan	2.84	3.54
Obligation under finance leases	3.24	3.24
Company		
RUN	16.93	16.93

Notes to the Financial Statements

For the financial year ended
31 December 2010

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31. TRADE AND OTHER PAYABLES

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Current				
Trade payables				
Third parties	958,054,408	434,343,957	-	-
Amounts due to contractors	24,885,814	30,815,757	-	-
	982,940,222	465,159,714	-	-
Other payables				
Amount due to a subsidiary	-	-	34,586,342	41,852,841
Finance cost payable	94,363,566	74,519,188	943,921	1,108,752
Deposit from consumers	380,325,879	375,029,777	-	-
Accruals	204,977,855	202,968,757	342,439	851,167
	679,667,300	652,517,722	35,872,702	43,812,760
Provision				
Provision for retirement benefits (Note 31(e))	1,539,853	1,193,187	-	-
	1,664,147,375	1,118,870,623	35,872,702	43,812,760
Non-current				
Other payables				
Long-term payable (Note 31(c))	9,794,600	11,427,033	-	-
Provision				
Provision for retirement benefits (Note 31(e))	19,224,022	17,482,118	-	-
	29,018,622	28,909,151	-	-
Total trade and other payables	1,693,165,997	1,147,779,774	35,872,702	43,812,760
Add: Loan and borrowings (Note 30)	5,486,963,196	5,376,769,312	285,568,993	294,101,563
Total financial liabilities carried at amortised cost	7,180,129,193	6,524,549,086	321,441,695	337,914,323

Notes to the Financial Statements

For the financial year ended
31 December 2010

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31. TRADE AND OTHER PAYABLES (CONT'D)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30-90 days (2009: 30-90 days) terms.

Included within the trade payables payable to third parties are RM923,786,651 (2009: RM409,867,347) being the amounts payable by SYABAS to its external water suppliers. These amounts are under litigation as disclosed in Note 48(f) and Note 48(h) respectively.

(b) Amount due to a subsidiary

This amounts is unsecured, non-interest bearing and are repayable on demand.

(c) Long-term payable

Pursuant to the Supplemental Agreement to the Government Support Loan Agreement, the amount of interest payable as at 11 April 2004 is to be made over a period of one hundred and forty four (144) months commencing April 2005.

(d) Accruals

Included in accruals of the Group is an amount of RM21,000 (2009: RM42,000), which is amount due to a subsidiary of CPMSB, a substantial corporate shareholder of the Company.

(e) Provision for retirement benefits

The Group operates unfunded, defined benefit Retirement Benefit Schemes (the "Scheme") for its eligible employees. Under the Scheme, eligible employees are entitled to retirement benefits of either 0.75 or 1.25 month of their final salary for every year of service with the Group on the attainment of their retirement age of 56 or voluntary retirement age of 50. Further details are disclosed in Note 8.

Movement of provision of retirement benefits is as follows:

	Group 2010 RM	2009 RM
At 1 January	18,675,305	16,824,642
Add: Provision for the year (Note 8)	3,645,421	3,262,763
Less: Payment made during the year	(1,556,851)	(1,412,100)
At 31 December	20,763,875	18,675,305
Maturity of provision:		
Not later than 1 year	1,539,853	1,193,187
Later than 1 year but not later than 2 years	1,823,754	1,524,277
Later than 3 years	17,400,268	15,957,841
	20,763,875	18,675,305

Notes to the Financial Statements

For the financial year ended
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31. TRADE AND OTHER PAYABLES (CONT'D)

(e) Provision for retirement benefits (cont'd)

The amounts recognised in the profit or loss are as follows:

	Group 2010 RM	2009 RM
Current service cost	2,677,740	2,433,855
Interest cost	967,681	828,908
Total	3,645,421	3,262,763

The principal actuarial assumptions used are as follows:

	Group 2010 %	2009 %
Discount rate	6.50	6.00
Rate of compensation increase	6.00	4.50

(f) Deposit from water consumers

	Group 2010 RM	2009 RM
As at 1 January	375,029,777	348,529,768
Addition during the year	49,842,088	49,042,996
Transfer from trade receivables (Note 23(a))	1,015,886	-
Transfer to trade receivables (Note 23(a))	-	(375,462)
Refund	(45,539,192)	(22,180,109)
Bad debt written off	(22,680)	12,584
As at 31 December	380,325,879	375,029,777

32. OTHER CURRENT LIABILITIES

	Group 2010 RM	2009 RM
Amount due to customer on construction contract (Note 27)	6,546,029	4,161,411

Notes to the Financial Statements

For the financial year ended
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33. GOVERNMENT GRANT

- (a) A government grant of RM250,000,000 was received by SYABAS in consideration of SYABAS performing its obligations under the SYABAS Concession Agreement. This grant is used solely for the purpose of financing the costs and expenditure of the NRW. NRW refers to such part of the works undertaken by SYABAS for the purpose of reducing non-income generating unaccountable water loss.

	Group 2010 RM	2009 RM
Net carrying amount		
At 1 January	242,232,954	244,351,716
Less: Repayment	(2,008,721)	–
Amortisation (Note 6(a))	(2,948,778)	(2,118,762)
At 31 December	237,275,455	242,232,954

- (b) On 26 March 2010, the Company has completed the RPS issuance of RM131.6 million by issuing 131.6 million number RPS 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 RM131.6 million. The amendments to FRS 120 removed the exemption to impute interests on government loan at below market interest rate. RM54,309,571 being the difference between the amount received and the present value of estimated cash flows discounted at market interest rate is accounted for as government grants.

	Group 2010 RM	2009 RM
Net carrying amount		
At 1 January	–	–
Effect of adoption FRS 120 for the RPS (Note 30(k))	54,309,571	–
Less: Amortisation (Note 2.2 and Note 6(a))	(2,715,478)	–
	51,594,093	–
Total net carrying amount (a) + (b)	288,869,548	242,232,954

Notes to the Financial Statements

For the financial year ended
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34. DEFERRED TAX

Deferred income tax as at 31 December relates to the following:

	As at 1 January 2009 RM	Recognised in profit or loss RM	As at 31 December 2009 RM	Recognised in profit or loss RM	As at 31 December 2010 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	226,990,931	83,232,305	310,223,236	7,678,984	317,902,220
Project development expenditure	457,901,989	143,380,846	601,282,835	139,684,263	740,967,098
Interest receivable	5,291,200	2,518,691	7,809,891	2,728,203	10,538,094
RCULS	1,505,784	(104,037)	1,401,747	(5,917,829)	(4,516,082)
Exchange difference	–	31,640	–	361,906	–
	691,689,904	229,059,445	920,717,709	144,535,527	1,064,891,330
Deferred tax assets:					
Tax losses	(394,718,783)	(75,608,775)	(470,327,558)	(79,000,807)	(549,328,365)
Capital allowances	–	(141,650,290)	(141,650,290)	(51,109,605)	(192,759,895)
Trade receivables	–	(962,593)	(962,593)	(551,929)	(1,514,522)
Reinvestment allowance	(125,117,895)	48,091,370	(77,026,525)	44,400,107	(32,626,418)
Other payables	(7,026,631)	(649,509)	(7,676,140)	(551,842)	(8,227,982)
	(526,863,309)	(170,779,797)	(697,643,106)	(86,814,076)	(784,457,182)
	164,826,595	58,279,648	223,074,603	57,721,451	280,434,148
Company					
Deferred tax liabilities:					
Interest receivable	5,291,200	2,518,691	7,809,891	2,728,203	10,538,094
		Group	2010	Company	2009
		2010	2009	2010	2009
		RM	RM	RM	RM
Presented after appropriate offsetting as follows:					
Deferred tax assets:		(784,457,182)	(697,643,106)	–	–
Deferred tax liabilities:		1,064,891,330	920,717,709	10,538,094	7,809,891
		280,434,148	223,074,603	10,538,094	7,809,891

Notes to the Financial Statements

For the financial year ended
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34. DEFERRED TAX (CONT'D)

Deferred tax assets are recognised for unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances 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 will be able to reduce tax payable in view of future profits and benefits accruing to the Group from the existing water concessions which have been awarded to the Group (Note 4) to which the deferred tax asset relates. The unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment allowances are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Deferred tax assets have not been recognised as follows:

	Group 2010 RM	2009 RM
Tax losses and capital allowances	2,035,628	2,035,628

35. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, FOREIGN CURRENCY TRANSLATION RESERVE AND RCULS

	Number of ordinary shares of RM1.00 each		Amount					RCULS (Note 30(g)) RM
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM	Treasury shares RM	Foreign currency translation reserve RM	
At 1 January 2009	411,142,895	(2,036,800)	411,142,895	102,878,221	514,021,116	(5,940,688)	620,504	13,130,387
Exchange differences	-	-	-	-	-	-	(236,339)	-
At 31 December 2009	411,142,895	(2,036,800)	411,142,895	102,878,221	514,021,116	(5,940,688)	384,165	13,130,387
At 1 January 2010	411,142,895	(2,036,800)	411,142,895	102,878,221	514,021,116	(5,940,688)	384,165	13,130,387
Exchange differences	-	-	-	-	-	-	(4,221,355)	-
At 31 December 2010	411,142,895	(2,036,800)	411,142,895	102,878,221	514,021,116	(5,940,688)	(3,837,190)	13,130,387

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35. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, FOREIGN CURRENCY TRANSLATION RESERVE AND RCULS (CONT'D)

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised:				
At 1 January/31 December	1,300,000,000	1,300,000,000	1,300,000,000	1,300,000,000

(a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

(c) RCULS

This represents the residual amount of RCULS after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from RCULS.

(d) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

36. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to frank dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance of the Income Tax Act, 1967 ("S.108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the S.108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company has elected for the irrevocable option to disregard the S.108 balance as at 31 December 2007. Hence, the Company will be able distribute dividends out of its entire retained earnings under the single tier system.

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36. RETAINED EARNINGS (CONT'D)

As at 31 December 2010, the Company has tax exempt profits available for distribution of approximately RM1,077,959 (2009: RM1,077,959), subject to the agreement of the Inland Revenue Board.

37. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Advances from PNSB	–	–	9,483,951	646,244
Advance to PNSB	–	–	17,097	7,772
Repayment to PNSB	–	–	–	3,718
Advances to POG	–	–	2,652,038	–
Repayment from POG	–	–	533,794	2,500,000
Advance to SINO	–	–	22,823,653	15,359,982
Rental from SINO	–	–	757,176	586,413
RCULS interest receivable from SYABAS	–	–	10,912,812	10,074,764
Coupon and discounts on JNA from PNSB	–	–	55,534,206	57,029,120
Principal repayment of JNA from PNSB	–	–	54,687,500	54,687,500
Secretarial fees charged by RZ Management	240,000	240,000	–	–

RZ Management is a director related corporation.

(b) Compensation of key management personnel

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Short-term employee benefits	14,225,041	14,302,812	245,000	253,000
Defined contribution plan	2,216,734	1,989,519	–	–
Other staff related expenses	5,374,824	4,417,751	150,000	341,918
	21,816,599	20,710,082	395,000	594,918

Included in the total key management personnel are:

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Directors' remuneration (Note 9)	15,975,872	14,623,728	395,000	594,918

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38. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group 2010 RM	2009 RM
Capital expenditure:		
Contracts approved and contracted for	48,607,515	21,651,980
Commitment under the terms of the Concession Agreement:		
- Annual charges	1,968,000,000	2,058,000,000
- Land use charges	2,240,160,000	2,315,600,000
- Concession fees	24,000,000	25,000,000
- Contracts approved and contracted for	278,438,035	356,530,602
	4,510,598,035	4,755,130,602

(b) Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group 2010 RM	2009 RM
Payable within one year	1,546,554	2,729,657
Payable between one and five years	934,145	982,604
	2,480,699	3,712,261

Notes to the Financial Statements

For the financial year ended
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38. COMMITMENTS (CONT'D)

(c) Finance lease commitments

	Group 2010 RM	2009 RM
Minimum lease payments:		
Not later than 1 year	5,110,666	4,458,305
Later than 1 year but not later than 2 years	4,060,067	3,650,560
Later than 2 years but not later than 5 years	6,922,710	980,949
	16,093,443	9,089,814
Less: Amounts representing finance charges	(1,630,297)	(634,536)
Present value of minimum lease payables	14,463,146	8,455,278
Present value of payments:		
Not later than 1 year	4,500,344	4,165,442
Later than 1 year but not later than 2 years	3,636,244	3,541,374
Later than 2 years but not later than 5 years	6,326,558	748,462
Present value of minimum lease payables	14,463,146	8,455,278
Less: Amount due within 12 months	(4,500,344)	(4,165,442)
Amount due after 12 months (Note 30)	9,962,802	4,289,836

39. CONTINGENT LIABILITIES

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Unsecured:				
Financial guarantee given to a bank for facilities granted to a joint venture	-	6,132,191	-	6,132,191
Trade and performance guarantees extended to third parties	98,750,951	64,613,997	-	-

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40. NET CASH GENERATED FROM OPERATIONS

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Profit before tax	268,368,120	312,605,736	3,694,012	10,663,965
Adjustments for:				
Depreciation of property, plant and equipment	41,736,905	45,805,219	211,369	249,237
Depreciation of investment property	-	-	639,475	420,813
Amortisation of project development expenditure	465,780,161	445,965,980	-	-
Impairment loss of investment property	-	-	452,543	-
Impairment loss of property, plant and equipment	461,748	-	-	-
Depreciation of concession assets	17,657,042	17,224,382	-	-
Gain from disposal of unquoted investment (Note 25)	(1,907,773)	-	-	-
Fair value gain on unquoted investment (Note 25)	-	(1,200,351)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(251,299)	856,345	-	-
Unrealised foreign exchange loss	322,229	120,370	6,324,465	518,792
Impairment loss of joint venture	550,000	-	550,000	1,161,000
Property, plant and equipment written off	2,412,140	556,316	-	-
Project development expenditure written off	1,074,405	11,458,432	-	-
Debts written off	3,847,013	6,144,042	-	-
Bad debts recovered	(5,638,887)	(4,984,078)	-	-
Write back of doubtful debts	(7,900)	(3,259,203)	-	-
Inventory written off	44,510	-	-	-
Share of results of:				
- associates	1,921	-	-	-
- joint venture	76,234	(151,414)	-	-
Amortisation of deferred government grant	(2,948,778)	(2,118,762)	-	-
Fair value gain on:				
- government grant	(2,715,478)	-	-	-
- long-term receivable	(13,690,245)	-	-	-
Interest income	(37,435,956)	(32,175,247)	(71,333,734)	(72,433,643)
Interest expense	373,274,486	348,257,749	55,552,384	57,029,120
Changes in working capital:				
- Receivables	(355,475,691)	(406,264,347)	(8,307,002)	142,467,497
- Payables	(159,334,100)	(536,046,338)	6,976,579	6,531,229
Net cash generated from operations	596,200,807	202,794,831	(5,239,909)	146,608,010

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41. FAIR VALUE OF FINANCIAL INSTRUMENTS

- A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	2010 Carrying amount RM	Fair value RM
Group			
Financial assets:			
Long-term receivables	23	284,706,684	285,858,351
Financial liabilities:			
Loans and borrowings			
- Obligations under finance leases	30	(14,463,146)	(14,845,629)
- Government Support Loan	30	(53,764,948)	(45,237,940)
- BAIDS	30	(1,016,311,210)	(965,852,486)
- RUN	30	(284,875,086)	(358,921,644)
- BAMTN	30	(2,038,214,663)	(2,039,033,053)
- RM410 million and RM250 million Term Loans	30	(659,974,712)	(539,714,429)
- Government Loan	30	(320,800,000)	(89,789,364)
- RUBs	30	(465,745,909)	(338,106,289)
- RCULS	30	(20,756,736)	(21,921,205)
- Lushan MOF Novated World Bank Loan	30	(6,844,867)	(6,346,741)
- RPS	30	(605,211,919)	(563,773,516)
- Long-term payables	31	(9,794,600)	(9,016,490)
Company			
Financial assets:			
Junior Notes A	19	285,568,993	359,795,916
RCULS	20	254,152,376	140,827,136
Financial liabilities:			
Loans and borrowings (non-current)			
- RUN	30	(285,568,993)	(359,795,916)

Notes to the Financial Statements

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41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

B. Determination of fair value

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:

	Note
Other receivables (non-current)	
- Loans to associates	17
- Loans to fellow subsidiaries	23
Trade and other receivables (current)	23
Trade and other payables (current)	31
Loans and borrowings (current)	30
Loans and borrowings (non-current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

42. 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, interest rate risk, foreign currency risk and market price risk.

The Board of Directors regularly reviews and agrees policies and procedures for the management of these risks.

The following sections provide details on the Group's and Company's exposure to the above mentioned financial risks and the 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 Group's receivables from water consumers and other receivables.

The Group's exposure to credit risk is mainly by the individual characteristics of each customers. The Group has set up credit policies which monitors the outstanding balances owing by its water consumers.

Notes to the Financial Statements

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

For other financial assets (including other investments, cash and bank balances and short term fund) the Group minimises credit risk by dealing exclusively with high credit rated counterparties.

Credit risk concentration profile

At the reporting date, approximately:

- 77% (2009: 63%) of the Group's trade and other receivables were due from 1 major customer.

As disclosed in Note 3.1(c), the Group has an amount owing by State Government in respect of tariff compensation in lieu of a tariff hike which was to take place with effect from 1 January 2009. Any late or non-repayment by the State Government may have an adverse impact on the cash flows and/or profit of the Group. SYABAS has taken legal action against the State Government as disclosed in Note 48(g).

In addition, the Group and its solicitors monitors closely on the status of legal proceedings against the Selangor 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 23. Deposits with banks and other financial institutions, other investment securities and short term funds 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 23.

(b) Liquidity risk

Liquidity risk is the risk that the Group or 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.

The Group manages its liquidity risk by establishing budget with the view to ensuring that sufficient bank balances together with stand-by credit facilities to meet the obligations. In addition, the Group negotiate with financial institutions to reschedule and/or restructure the existing credit facilities to coincide with the present operating environment.

Notes to the Financial Statements

For the financial year ended
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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

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.

	2010			Total RM
	On demand or within one year RM	One to five years RM	Over five years RM	
Group				
Financial liabilities:				
Trade and other payables	1,693,165,997	–	–	1,693,165,997
Loans and borrowings	806,392,097	1,104,546,995	3,576,024,104	5,486,963,196
Total undiscounted financial liabilities	2,499,558,094	1,104,546,995	3,576,024,104	7,180,129,193
Company				
Financial liabilities:				
Trade and other payables	35,872,702	–	–	35,872,702
Loans and borrowings	285,568,993	–	–	285,568,993
Total undiscounted financial liabilities	321,441,695	–	–	321,441,695

(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 2010, 99.9% (2009: 99.9%) of the Group's borrowings carry fixed interest rates. The Group's income and operating cash flows are therefore substantially independent of changes in market interest rates.

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM4,203,383 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, higher/lower interest income from floating rate loans to related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates primarily in Malaysia but have operations in PRC. Thus, it is exposed to various currencies, mainly USD, SGD and RMB. Foreign currency denominated assets and liabilities together with expected cash flows from probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets Held in Non-Functional Currencies		Total RM
	SGD RM	USD RM	
At 31 December 2010			
RM	8,940,945	–	8,940,945
USD	208,669	1,751,777	1,960,446
RMB	–	6,939,228	6,939,228
	9,149,614	8,691,005	17,840,619
At 31 December 2009			
RM	9,160,095	3,134,562	12,294,657
USD	248,454	5,355,702	5,604,156
RMB	–	1,483,925	1,483,925
	9,408,549	9,974,189	19,382,738

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

		Group 2010 Profit/(loss) net of tax RM	Company 2010 RM
SGD/USD	- strengthened 0.44%	922	-
	- weakened 0.44%	(922)	-
RMB/USD	- strengthened 0.2%	13,579	-
	- weakened 0.2%	(13,579)	-
SGD/RM	- strengthened 2%	(18,262)	(18,262)
	- weakened 2%	18,262	18,262

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of change in market prices (other than interest or exchange rates). The objective of market risk management is to manage and control market risk exposure within the acceptable parameters, while optimising the return.

The Group is exposed to non equity price risk arising from its investment in unit trust instruments. These instruments are classified as short term funds.

Notes to the Financial Statements

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43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to support the Group's growth strategy and maximise shareholder value with optimal capital structure.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To adjust the capital structure, the Group does not recommend any dividend for the financial year ended 31 December 2010 with the view to conserve its financial resources.

From time to time, the Group purchases its own shares from the market, the timing of these purchase depends on market prices and availability of financial resources.

The Company and its subsidiaries are not subject to externally imposed capital requirements other than certain subsidiaries which are required to maintain certain ratios for the purpose of declaring and payment of dividend.

The Group 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 Group includes with in net debts, loans and borrowings, trade and other payables less cash and bank balance.

At year end, the Group has a net debt of RM5,935,843,893 (2009: RM5,309,438,053) and a total capital of RM1,501,431,495 (2009: RM1,473,801,422) giving rise to a gearing ratio of approximately 80% (2009: 78%).

44. DIVIDENDS

	Group and Company 2010 RM	2009 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final single tier dividend for 2009: 10 sen (2008: 10 sen) per share	40,910,609	40,910,609

The directors do not recommend any payment of dividend for the current financial year.

Notes to the Financial Statements

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45. SEGMENT INFORMATION

Segmental analysis is not presented as the Group is primarily involved in the operation, maintenance, construction, rehabilitation. The Group operates principally in Malaysia and the overseas business segments are insignificant to the Group.

	Water Distribution		Water Treatment		Holding Company	
	2010 RM	2009 RM	2010 RM	2009 RM	2010 RM	2009 RM
Operating Revenue						
Sales to external customers	1,907,101,642	1,870,018,200	–	–	–	–
Inter-segment sales	–	–	636,823,940	663,863,510	–	–
	1,907,101,642	1,870,018,200	636,823,940	663,863,510	–	–
Other income	83,795,566	76,789,163	64,236,596	34,571,289	72,337,380	73,222,399
	1,990,897,208	1,946,807,363	701,060,536	698,434,799	72,337,380	73,222,399
Operating expenses	(804,174,816)	(766,332,525)	(256,618,471)	(239,899,895)	(12,190,488)	(4,837,413)
Share of results						
- Associates	–	–	–	–	–	–
- Joint venture	–	–	–	–	–	–
Depreciation and amortisation	(611,634,558)	(601,757,829)	(118,100,436)	(119,364,495)	(850,844)	(670,050)
Segment results	575,087,834	578,717,009	326,341,629	339,170,409	59,296,048	67,714,936
Finance cost						
Profit before tax						
Assets and Liabilities						
Investment in associates	–	–	–	–	44,339	43,184
Segment assets	7,945,900,783	6,551,941,059	2,968,998,168	2,888,363,768	1,275,252,477	1,330,227,115
	7,945,900,783	6,551,941,059	2,968,998,168	2,888,363,768	1,275,296,816	1,330,270,299
Unallocated assets						
Total assets						
Segment liabilities	6,353,540,429	5,286,919,329	1,861,492,810	1,864,561,093	321,441,695	337,914,322
Unallocated liabilities						
Total liabilities						

Notes to the Financial Statements

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and refurbishment of water treatment facilities and the supply and distribution of treated water to consumers in the Distribution Area.

Others 2010 RM	2009 RM	Elimination 2010 RM	2009 RM	Notes	Per consolidated financial statement	
					2010 RM	2009 RM
4,412,557	16,981,446	-	-		1,911,514,199	1,886,999,646
689,074	8,148,997	(637,513,014)	(672,012,507)	A	-	-
5,101,631	25,130,443	(637,513,014)	(672,012,507)		1,911,514,199	1,886,999,646
28,287	7,738	(98,973,179)	(86,386,454)	A	121,424,650	98,204,135
5,129,918	25,138,181	(736,486,193)	(758,398,961)		2,032,938,849	1,985,203,781
(21,736,280)	(36,907,956)	229,684,666	233,350,413	A	(865,035,389)	(814,627,376)
(1,921)	-	-	-		(1,921)	-
(76,234)	151,414	-	-		(76,234)	151,414
(151,815)	(49,266)	205,563,545	212,846,059	B	(525,174,108)	(508,995,581)
(16,836,332)	(11,667,627)	(301,237,982)	(312,202,489)		642,651,197	661,732,238
					(374,283,077)	(349,126,502)
					268,368,120	312,605,736
-	-	(4,601)	(2,680)		39,738	40,504
27,748,948	32,911,363	(2,612,272,563)	(2,046,509,262)	C	9,605,627,813	8,756,934,043
27,748,948	32,911,363	(2,612,277,164)	(2,046,511,942)		9,605,667,551	8,756,974,547
					653,790	2,135,308
					9,606,321,341	8,759,109,855
174,276,836	170,525,178	(1,235,207,000)	(888,976,471)	D	7,475,544,770	6,770,943,451
					294,589,892	249,522,567
					7,770,134,662	7,020,466,018

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45. SEGMENT INFORMATION (CONT'D)

Notes Nature of adjustments and elimination to arrive at amounts reported in the consolidated financial statements

- A Inter-segment revenues and expenses are eliminated on consolidation.
- B The amortisation of concession assets and project development expenditure of a subsidiary are using straight line method at company level and were adjusted to unit of water revenue method at group level.
- C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	2010 RM	2009 RM
Property, Plant and Equipment - adjustment to rationalise amortisation method of Project Development Expenditure at group level		415,685,629	349,973,849
Project Development Expenditure - elimination of water supply purchased from a subsidiary capitalised as Project Development expenditure		(1,665,262,391)	(1,381,598,562)
Investment in RCULS	20	(254,152,377)	(243,239,564)
Inter group intercompany balances elimination		(868,971,754)	(532,752,822)
Investment in subsidiaries	16	(463,110,960)	(453,907,005)
Goodwill on consolidation		507,653,077	507,584,965
Investment in Junior Notes A	19	(285,568,993)	(294,101,563)
Reversal of impairment loss in joint venture at group level		1,455,206	1,531,440
		(2,612,272,563)	(2,046,509,262)

- D The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	2010 RM	2009 RM
Investment in Junior Notes A	19	(285,568,993)	(294,101,564)
Investment in RCULS		(144,286,962)	(133,374,150)
Inter group intercompany balances		(878,853,564)	(542,873,275)
Investment in RUBs		73,502,519	81,372,518
		(1,235,207,000)	(888,976,471)

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46. SIGNIFICANT EVENTS

- (a) On 6 January 2010, the issued and paid-up share capital of SYABAS was increased from RM5,000,001 to RM45,000,001 vide the allotment of 40,000,000 new ordinary shares of RM1.00 each by capitalising the sum of RM40,000,000 only from retained earnings.

On 13 January 2010, the issued and paid-up share capital of SYABAS was further increased from RM45,000,001 to RM65,000,001 vide the allotment of 20,000,000 new ordinary shares of RM1.00 each by capitalising the sum of RM20,000,000 only from retained earnings.

- (b) SINO had invested an additional USD500,000 in XINNUO and accordingly, the paid up registered capital of XINNUO had been increased to USD1,500,000 on 20 January 2010.
- (c) SINO had invested USD2,560,000 in Hebei Sino and accordingly, the paid up registered capital of Hebei Sino had been increased to USD3,200,000 on 1 February 2010.
- (d) Pursuant to Collaboration Agreement dated 15 March 2007, signed between the Company's wholly-owned subsidiary, Puncak Research Centre Sdn Bhd ("Puncak Research") and DHI Water.Environment.Health ("DHI"), a non-profit organisation in Denmark, to undertake a research and development project known as the "Establishment of Puncak Niaga Research And Development Centre" ("PRDC") ("Collaboration Agreement"), Puncak Research and DHI have mutually agreed to extend the duration of the Collaboration Agreement for a further period of one (1) year to 14 March 2011 upon the existing terms and conditions of the Collaboration Agreement.
- (e) On 26 March 2010, SYABAS has completed the RPS issuance of RM131.6 million by issuing 131.6 million number RPS 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 RM131.6 million.
- (f) The Company had on 6 May 2010 subscribed an additional 1,900,000 shares in the capital of POG, a wholly owned subsidiary of the Company by way of cash and set off against the amount owing by POG to the Company.

The Company subscribed for 1,900,000 ordinary shares of RM1.00 each in the capital of POG totalling RM1,900,000.00 ("Shares Subscription") as follows:

No. of Ordinary Shares of RM1.00 each	Amount (RM)	Satisfied By
(i) 900,000	900,000	Cash vide internally generated funds.
(ii) 1,000,000	1,000,000	Set off of RM1,000,000.00 against part of the amount owing by POG to the Company totalling RM3,294,894.00 as at 30 April 2010.

The Company had on 30 December 2010 further subscribed for 4,000,000 new ordinary shares of RM1.00 each in the capital of POG totalling RM4,000,000.00 whereby the allotment monies was satisfied by way of set off against part of the amount owing by POG to the Company.

The Shares Subscription is to provide working capital for POG.

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46. SIGNIFICANT EVENTS (CONT'D)

- (g) The Company had on 28 June 2010, acquired one (1) ordinary share of SGD1.00 each in PNOG (Company Registration No. 201012969Z), representing 100% of the total issued and paid-up share capital of PNOG at a cash consideration of SGD1.00 only (the "Acquisition").

PNOG was incorporated on 18 June 2010 as a private company limited by shares in Singapore under the Companies Act, Cap. 50. PNOG is currently dormant and has a paid up share capital of SGD1.00 divided into one (1) ordinary share of SGD1.00 each.

With the Acquisition, PNOG has become a wholly owned subsidiary of the Company on 28 June 2010 and its principal activity will be investment holding with interests in water, wastewater, solid waste, environmental engineering, oil & gas in the Asian countries.

The Acquisition is to facilitate the Group's future expansion plans to pursue business development efforts to secure new businesses in the Asian countries.

The Acquisition is satisfied wholly in cash from the Company's internally generated funds.

- (h) The Company's 80% owned subsidiary, SINO, a company incorporated in Singapore, had on 20 July 2010 entered into a Tripartite Agreement with Lushan County Government, Henan Province and EHPL for the novation of the Lushan County Water Supply Project from EHPL to SINO ("Tripartite Agreement").

The salient terms of the Tripartite Agreement are as follows:

- (i) EHPL agreed to transfer 83% equity of LUWEI and its associated rights and obligations to SINO.
 - (ii) SINO agreed to accept the 83% equity of LUWEI and its associated rights and obligations transferred from EHPL.
 - (iii) Lushan County Government confirmed and agreed to the transfer of 83% equity of LUWEI and its associated rights and obligations from EHPL to SINO, and agreed to continue to fulfil its obligations as provided in the Lushan County Water Concession Agreement dated 29 December 2004 between Lushan County Government and EHPL and all supplemental agreements executed thereafter.
 - (iv) The Tripartite Agreement is effective upon confirmation and acceptance for lodgement by the World Bank Project Unit at Pingdingshan and Zhengzhou, Henan Province.
 - (v) Lushan County Water Supply Project involves the construction and operation of a 50 MLD Water Treatment Plant ("WTP") in Lushan, where a 30 MLD WTP complete with 40 km pipelines are being constructed under Phase One.
 - (vi) The execution of the Tripartite Agreement is to effect the novation of the Lushan County Water Supply Project from EHPL to SINO.
- (i) PNSB entered into a Memorandum of Agreement ("MoA") dated 4 September 2008 with Karachi Water And Sewerage Board ("KWSB") and Asian Development Bank ("ADB") (collectively the "Parties") to form a voluntary partnership with KWSB to provide voluntary services to KWSB through a Twinning Arrangement to be implemented and financed by ADB as a South Asian Water Utilities Network activity as part of the Water Operators' Partnerships Programme. The Parties have mutually agreed to extend the duration of the MoA initially to 15 December 2009, 30 June 2010 and subsequently to 30 November 2010 with all other terms of the Twinning Arrangement under the MoA remaining unchanged.

The parties successfully completed the Twinning Arrangement and accordingly, the MoA ceased on 30 November 2010.

Notes to the Financial Statements

For the financial year ended
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46. SIGNIFICANT EVENTS (CONT'D)

- (j) The Company's 80% owned subsidiary in Singapore, SINO had recently invested an additional amount of USD1,120,000.00 in LUWEI, its 83% owned limited liability subsidiary incorporated in Lushan County, Henan Province, in the PRC under the China Company Law.

The Company was notified on 5 August 2010 by LUWEI that the regulatory authorities of the PRC had issued the "Enterprise Legal Representative Business Licence" dated 23 July 2010 approving the increase of the paid up registered capital of LUWEI to USD3,870,000.00 from USD2,750,000.00 previously.

Accordingly, LUWEI is now a 87.92% owned subsidiary of SINO with a total investment totalling USD3,402,500.00.

- (k) The Company had on 16 August 2010 entered into a JVA with P&C Constructions (P) Ltd ("P&C"), an Indian company to form an unincorporated joint venture, in the name of "PNHB-P&C Joint Venture" ("PPJV") to jointly participate in an international competitive tender for a pipeline conveyance system project in Mangalore, India ("Project").

P&C is a company incorporated in India, providing support to its parent company, S.P. Periasamy & Co., for large projects and civil engineering contracts and is also involved in construction public buildings, commercial and factory buildings, road and bridges, irrigation and hydro-management projects, and many other speciality construction jobs.

Salient terms of the JVA:

- (a) Purpose Of JVA

The Company and P&C have entered into the JVA for the purpose to collaborate and co-operate as members of an unincorporated joint venture, PPJV with 70% and 30% participation ratios by the Company (Lead Partner) and P&C, respectively, and to jointly participate in the international competitive tender for the Project called by the Mangalore Special Economic Zone Limited ("Employer") and to undertake the execution and completion of the Project in the event PPJV is awarded the Project by the Employer, in accordance with the terms and conditions as stipulated in the JVA.

- (b) Validity

The JVA took effect on 16 August 2010 and shall cease upon the occurrence of any of the following circumstances:

- (i) the Employer awards the Project to another party;
- (ii) the Employer abandons the Project and the Parties mutually agree to abandon the Tender; and
- (iii) when the contractual obligations of PPJV to the Employer have been discharged.

The JVA had ceased following the decision of Mangalore Special Economic Zone Limited to cancel the whole tender process for the Project without incurring any liability to the bidders.

Notes to the Financial Statements

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46. SIGNIFICANT EVENTS (CONT'D)

- (l) The Company had on 20 October 2010 entered into two (2) separate Joint Venture Agreements with P&C Constructions (P) Ltd ("P&C"), a company incorporated in India (the Company and P&C to be collectively referred to as ("the Parties") to form an unincorporated joint venture, in the name of "PNHB-P&C Joint Venture" ("PPJV") to jointly participate in international competitive tenders for Package III and Package V of the Hogenakkal Water Supply and Fluorosis Mitigation Project for Dharmapuri and Krishnagiri Districts, India (collectively the "Projects") called by the Tamilnadu Water Supply and Drainage Board, India ("Employer").

P&C is a company incorporated in India, providing support to its parent company, S.P. Periasamy & Co., for large projects and civil engineering contracts and is also involved in construction of public buildings, commercial and factory buildings, road and bridges, irrigation and hydro-management projects, and many other speciality construction jobs.

Salient terms of the JVAs:

(a) Purpose Of JVAs

The Company and P&C have entered into the JVAs for the purpose of collaborating and co-operating as members of an unincorporated joint venture, PPJV with 60% and 40% participation ratios by the Company (Lead Partner) and P&C, respectively, and to establish and define the Parties' rights and obligations in respect of the Parties' joint participation in international competitive tenders for the Projects called by the Employer.

The Parties will jointly undertake the execution and completion of the Projects in the event PPJV is awarded the Projects by the Employer, in accordance with the terms and conditions as stipulated in the JVAs.

(b) Validity

The JVAs took effect on 20 October 2010 and shall cease upon the occurrence of any one (1) of the following circumstances:

- (i) the Employer awards the Projects to another party; or
- (ii) the Employer abandons the Projects and the Parties mutually agree to abandon the Tender; or
- (iii) when the contractual obligations of PPJV to the Employer have been discharged.

Both JVAs have ceased following receipt by the Company on 18 January 2011 of TAWD's official notifications that the PNH-B-P&C Joint Venture had been unsuccessful in the tenders for the Projects.

Notes to the Financial Statements

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46. SIGNIFICANT EVENTS (CONT'D)

- (m) Puncak Research Centre Sdn Bhd (399856-U) ("PRC"), a wholly owned subsidiary of the Company, had on 27 October 2010, entered into an International Memorandum of Understanding ("IMOU") with K-water Institute ("KWI"), (PRC and KWI to be collectively referred to as the "Parties") to establish mutual educational, training and research interests on water, wastewater and environmental management and technology through related activities and initiatives in these aspects.

KWI is a Korean company established in 1967. KWI is a government research institute, which is involved in developing water management policies and techniques to inventing new processes of water treatment and desalination in solving water problems faced by Korea.

KWI has invested in developing core technologies by supporting distinguished researchers, adopting overseas advanced technologies and forming industry-academia research consortiums.

Salient terms of the IMOU:

(a) Purpose Of IMOU

The IMOU enables the Parties to establish mutual educational, training and research interests to encourage voluntary interaction, mutual co-operation and cordial relationship for the Parties' mutual benefits via the exchange of technological materials and information, develop future areas of joint research and co-operation, exchange of short-term visiting scholars with programmes such as workshops, seminars, engagement in collaborative research and exploration of mutual projects, exchange of information and technical know-how on water, wastewater and environmental management technology with related activities and initiatives concerning the environmental aspects.

(b) Validity

The IMOU is valid for a period of three (3) years from the date of execution and may be terminated with sixty (60) days' prior written notice from either Party.

The IMOU is synergistic to the Group's business and enables the Group, via its wholly owned subsidiary, PRC, which is focused on research and development activities, to collaborate and share resources with a leading Korean research institute, KWI to undertake water, wastewater and environmental related R&D activities and projects.

At the date of this report, the collaboration between PRC and KWI under the IMOU is ongoing.

Notes to the Financial Statements

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46. SIGNIFICANT EVENTS (CONT'D)

- (n) The Company had on 20 November 2009 entered into a MoU with an Indian company, P & C Constructions (P) Ltd ("P&C") in respect of the joint participation in an international competitive tender for a project called by an Indian Water Supply and Drainage Board.

P&C is a company incorporated in India, providing support to its parent company, S.P. Periasamy & Co. for large projects and civil engineering contracts and is also involved in constructing public buildings, commercial and factory buildings, roads and bridges, irrigation and hydro-management projects, and many other speciality construction jobs.

The salient terms of the MoU are as follows:

(i) Purpose Of MoU

The Company and P&C ("the Parties") have entered into the MoU for the sole purpose to jointly participate in the international competitive tender for Pre-Qualification of Contractors ("Pre-Q") for Hogenakkal Water Supply and Fluorosis Mitigation Project for Dharmapuri and Krishnagiri Districts Package IV (Transmission Main From Madam to Hosur and Union Villages and Allied Works) ("Project") called by the Tamil Nadu Water Supply and Drainage Board, India ("Employer") under an unincorporated joint venture to be known as "PNHB-P&C Joint Venture" ("PPJV") with 60% and 40% participation ratios by the Company (Lead Partner) and P&C, respectively.

In the event the Pre-Q is successful, the Parties shall:

- (1) Enter into a JVA to form a Joint Venture ("JV") for the purpose of submitting a bid for the project;
- (2) Jointly prepare and submit the bid in accordance with the requirements of the Employer; and
- (3) If the bid is accepted by the Employer, the Parties shall negotiate and enter into the Contract with the Employer in respect of the execution of the works under the Project on the basis of the JV.

Each of the Parties shall be jointly and severally liable to the Employer for the execution of the works under the Contract in respect of the tender for the Project (in the event of the award of the Project to PPJV).

PPJV is not a legal entity and the Parties have no intention of forming a partnership.

(ii) Validity

The MoU took effect on 20 November 2009 and shall cease upon the occurrence of any of the following circumstances, whichever is the earlier and in which event, none of the Parties may claim against the other for any antecedent breaches or losses arising under the MoU:

- (1) PPJV is not successful in the Pre-Q for the Project;
- (2) The Employer awards the Project to some other party;
- (3) The Parties mutually agree to abandon the Pre-Q or Tender for the Project; and
- (4) The Employer abandons the Project.

The MoU had ceased following the receipt of the official notification by TAWD on 29 October 2010 that the PNHB - P&C Joint Venture, for which the Company is a member with 60% participation, had been unsuccessful in the tender.

Notes to the Financial Statements

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46. SIGNIFICANT EVENTS (CONT'D)

- (o) The Company's 70% owned subsidiary, SYABAS had on 26 February 2009 entered into a MoU with Construction Industry Development Board ("CIDB") in respect of the provision of training and development programmes by CIDB to the Bumiputra contractors, suppliers and consultants registered with SYABAS.

The MoU seeks to establish a common platform for SYABAS and CIDB to collaborate together for CIDB to provide training and development programmes to upgrade the skills and competencies of the Bumiputra contractors, suppliers and consultants registered with SYABAS who are involved in the water industry in the State of Selangor and the Federal Territories of Kuala Lumpur and Putrajaya. The MoU shall be valid for period of two (2) years and may be extended or terminated by mutual consent of both parties.

On 7 March 2011, SYABAS and CIDB mutually extended the MoU for a further period of two (2) years to 25 February 2013.

- (p) PNSB has on 19 November 2010, undertaken a fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of JNA from the Company. Concurrently, the Company utilised the proceeds from the redemption of JNA to undertake a fourth mandatory partial redemption of RM54,687,500 nominal value of the outstanding RM437,500,000 nominal value of RUN from the RUN holders of the Company.
- (q) The Company had on 15 December 2010 subscribed for 1,382,812 new ordinary shares of SGD1.00 each in the capital of SINO, an 80% owned subsidiary of the Company incorporated in Singapore.

As at 15 December 2010, the issued and paid up share capital of SINO stood at SGD1,482,812 divided into 1,482,812 ordinary shares of SGD1.00 each.

Accordingly, SINO became a 98.65% owned subsidiary of the Company.

47. EVENTS OCCURRING AFTER THE REPORTING DATE

- (a) Both PNSB and SYABAS had each received new conditional offers from State Government on 6 January 2011 as follows:

(i) PNSB

- Offer price for each ordinary share is RM64.62 per share
- Offer price for each Cumulative Convertible Redeemable Preference Share ("CCRPS") is RM1.00 for each CCRPS
- Based on the above, the total value offered for the ordinary share and CCRPS in issue as at 31 December 2009 is RM646.2 million and RM48 million respectively.

(ii) SYABAS

- Offer price for each ordinary share is RM20.78 per share
- Offer price for each RCULS is RM1.00 for each RCULS
- Based on the above, the total value offered for the ordinary share and RCULS in issue as at 31 December 2009 is RM103.91 million and RM245.0 million respectively.

Notes to the Financial Statements

For the financial year ended
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47. EVENTS OCCURRING AFTER THE REPORTING DATE (CONT'D)

- (a) Both PNSB and SYABAS had each received new conditional offers from State Government on 6 January 2011 as follows:
(cont'd)

The offers include the take over of all liabilities of PNSB and SYABAS as at 31 December 2009 subject to negotiation and due diligence.

The Company had sought clarification and confirmation on certain terms. The contents of the reply by State Government did not fully address the issues and concerns raised by PNSB and SYABAS.

The Conditional Offer for PNSB and Conditional Offer for SYABAS ("Conditional Offers") are, inter alia, conditional upon the Menteri Besar Selangor Incorporated ("MBI") having, by virtue of acceptance of the Concurrent Offers, acquired or unconditionally contracted to acquire:

- (i) no less than 100% of the voting shares in SPLASH and ABASS; and
- (ii) no less than 100% of the ABASS RCPS.

Following the decision made by SPLASH not to accept the Conditional Offer from MBI to acquire all the voting shares in SPLASH, the Company is of the opinion that the Conditional Offers are therefore deemed to have lapsed with no further action to be taken by PNSB and SYABAS respectively.

- (b) SYABAS had on 22 February 2011 entered into a MoU with National Institute of Occupational Safety and Health ("NIOSH") to establish an arrangement to develop a comprehensive safety training and assessment programme, namely the Occupational Safety and Health – SYABAS NIOSH Safety Card ("OSH - SNSC") training for SYABAS' Contractors' Workers, leading to the award of SYABAS NIOSH Safety Card for SYABAS' Contractors' Workers.

The MoU sets out the guidelines on the collaboration between SYABAS and NIOSH on OSH - SNSC training and assessment programmes for SYABAS Contractors' Workers and will enable SYABAS to comply with the provision of Section 15(2)(e) of the Occupational Safety & Health Act 1994.

The MoU is valid for a period of two (2) years from the date of execution and may be extended for another two (2) years or terminated by mutual consent of SYABAS and NIOSH.

- (c) SYABAS entered into a MoU dated 26 February 2009 with Construction Industry Development Board ("CIDB") in respect of the provision of training and development programmes by CIDB to the Bumiputra contractors, suppliers and consultants registered with SYABAS for a period of two (2) years. On 7 March 2011, both parties mutually agreed to extend the duration of the MoU for a further period of two (2) years from 26 February 2011 to 25 February 2013 and all other terms and conditions of the MoU remain unchanged.

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For the financial year ended
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47. EVENTS OCCURRING AFTER THE REPORTING DATE (CONT'D)

- (d) The Company had on 10 March 2011, acquired Nine Thousand Nine Hundred and Ninety Nine (9,999) Equity shares of Rs.10/- each (Rupees Ten) only in Puncak Niaga Infrastructures & Projects Private Limited [Corporate Identity Number : U45200TN2011PTC079556] ("PNIP Pte Ltd"), representing 99.99% of the total issued and paid-up share capital of PNIP Pte Ltd at a cash consideration of Rs.99,990/- (Rupees Ninety Nine Thousand Nine Hundred and Ninety) only (the "Acquisition").

PNIP Pte Ltd was incorporated on 10 March 2011 as a private company limited by shares in India under the Indian Companies Act, 1956 (No 1 of 1956). PNIP Pte Ltd is currently dormant and has a paid up share capital of Rs.1,00,000 (Rupees One Lakh) only divided into 10,000 (Ten Thousand) Equity shares of Rs.10/- each (Rupees Ten) only.

With the Acquisition, PNIP Pte Ltd has become a 99.99% owned subsidiary of Puncak on 10 March 2011 with the remaining 0.01% being held by Ir Tan Hui Kuan, with beneficial holding vesting with the Company. The intended activities of PNIP Pte Ltd is to carry out activities of infrastructures, constructions and other projects in India.

The Acquisition is to facilitate the Group's future expansion plans to pursue business developments efforts to secure new businesses in India.

- (e) Pursuant to the Collaboration Agreement dated 15 March 2007, Puncak Research and DHI have mutually agreed to extend the Collaboration Agreement for a further period of two (2) years, commencing 15 March 2011 until 14 March 2013 ("Extension") and that save and except for the Extension, all other terms and conditions of the Collaboration Agreement remain unchanged.
- (f) The Company had on 15 March 2011 entered into a MoU with an Indian company namely, Ramky Infrastructure Limited ("RIL") (the Company and RIL to be collectively referred to as "the Parties") to collaborate with each other on the basis of mutual exclusivity in an unincorporated joint venture to source for potential water and water related projects in India.

The salient terms of the MoU are as follows:

(a) Purpose Of MoU

The MoU sets out the Parties' respective rights and obligations in the joint participation on the basis of mutual exclusivity in an unincorporated joint venture known as RIL-PNHB Joint Venture ("JV") with RIL being the Lead Partner, to source for potential water and water related projects in India, to submit the relevant proposal for the Project(s) and to jointly implement the Project(s) if awarded the same by the relevant authorities.

The actual percentage of participation and interest of the JV to be decided mutually on a case to case basis for each individual Project.

(b) Validity

The MoU takes immediate effect and is valid for a period of twelve (12) months from the date of the MoU thereof, unless extended by mutual agreement of the Parties.

Notwithstanding the above, either Party may terminate the MoU by giving thirty (30) days notice in writing to the other Party.

The MoU is synergistic to the Group's business expansion plans in India.

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47. EVENTS OCCURRING AFTER THE REPORTING DATE (CONT'D)

- (g) SYABAS had on 15 March 2011 entered into a Software Maintenance and Support Agreement (“SMSA”) with Crowder & Co. Ltd (“Crowder”), a UK based company whereby Crowder will supply and license SYABAS to use the Netbase Water Distribution Management System software as well as to provide maintenance and support services (“the Netbase Management System”).

The salient information of the SMSA:

- (a) Purpose of SMSA

The SMSA sets out the terms and conditions for Crowder to supply to SYABAS the Netbase Management System together with a License to use the Netbase Management System and for the provision of maintenance and support services, CrowderCover.

- (b) Validity

The SMSA shall commence on 15 March 2011 and expires on 31 December 2013.

The SMSA enables SYABAS to employ the latest leading edge technology in monitoring and managing the non revenue water (“NRW”) for the benefit of the consumers in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya.

- (h) On 6 April 2011, Malaysian Rating Corporation Berhad (“MARC”) had taken various rating actions on the Selangor water sector issuers, including the rating actions against the Company and its wholly owned and 70% owned subsidiaries, namely PNSB and SYABAS respectively (the Company, PNSB and SYABAS to be hereinafter collectively referred to as the “Group”) which had resulted in the following changes to the ratings for the Group’s debt:

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

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47. EVENTS OCCURRING AFTER THE REPORTING DATE (CONT'D)

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

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

- (i) The Company had on 19 April 2011 acquired a 55% stake in Reputable Collection Sdn Bhd (Company No. 927127-M) ("RCSB") via a subscription of fifty five (55) new ordinary shares of RM1.00 each in RCSB at a total cash consideration of Ringgit Malaysia Fifty Five (RM55.00) only thereby resulting in RCSB becoming a 55% owned subsidiary of the Company on 19 April 2011. RCSB was incorporated on 27 December 2010. The balance 45% stake in RCSB is held by Rembulan Mesra Sdn Bhd (Company No. 602224-X).

Concurrently, RCSB had acquired a 62.5% stake in Jalinan Handal Sdn Bhd (Company No. 939200-M) ("JHSB") via a subscription of six hundred and twenty five (625) new ordinary shares of RM1.00 each in JHSB at a total cash consideration of Ringgit Malaysia Six Hundred And Twenty Five (RM625.00) only thereby resulting in JHSB becoming a sub-subsiidiary of the Company on 19 April 2011. JHSB was incorporated on 5 April 2011. The balance of 37.5% stake in JHSB is held by Permodalan Sejahtera Sdn Bhd (Company No. 766988-H).

JHSB will be involved as specialist technology provider for the development of payment and settlement systems under the Government's innovation and commercialisation initiatives spearheaded by Unit Inovasi Khas ("UNIK"), Prime Minister's Office ("innovation and commercialisation initiatives"). JHSB signed a Strategic Alliance Agreement with UNIK Corp (Company No. 90911-D) on 19 April 2011 to set out the mutual cooperation between the parties to pursue further the innovation and commercialisation initiatives under the Government's New Wealth Creation & Ecosystem Initiatives.

48. MATERIAL LITIGATIONS

(a) Konajaya

On 2 July 2003, Konajaya filed a suit against PUAS. PUAS called on a bank guarantee and demanded the bank (the issuer of the guarantee) to pay PUAS a sum of RM4,895,160 being the amount of a bank guarantee associated to a contract. On 12 March 2004, an inter-partes injunction was granted to Konajaya to stop the bank from honouring the bank guarantee.

The Court of Appeal had on 10 November 2008 directed that the Originating Summons be heard and disposed off as the appeal to the Court of Appeal is now academic and hearing the merits of the grant of the interim injunction will not resolve the issue at hand. The parties had been directed to proceed to apply to the High Court for a date for the hearing and final disposal of the Originating Summons.

The High Court had fixed and heard the matter inter-partes on 4 February 2009 as directed by the Court of Appeal for purpose of deciding on the setting-aside or the vacating of the interim injunction order of the High Court dated 12 March 2004 restraining PUAS from calling on the Bank Guarantee given by Konajaya. The High Court had delivered its decision by awarding a permanent injunction in place of the interim injunction restraining PUAS from calling on the Guarantee.

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48. MATERIAL LITIGATIONS (CONT'D)

(a) Konajaya (cont'd)

Pursuant to the solicitors' advice, PUAS had instructed its solicitors to file an appeal on the decision of 4 February 2009 and to consolidate this with the previous appeal. The Notice of Appeal had been filed in the Court of Appeal on 25 February 2009 and the Record of Appeal had been filed in the Court of Appeal on 28 April 2009.

The Court of Appeal had on 29 October 2009 dismissed PUAS's appeals with cost.

PUAS's application for leave to appeal to the Federal Court against the decision of the Court of Appeal in dismissing PUAS's appeals with costs and the case management for the second appeal on the declaration in the Originating Summons was fixed for hearing on 5 April 2010. At the hearing on 5 April 2010, PUAS's application was dismissed with cost of RM15,000.00.

The legal process had therefore been exhausted with the decision made by the Federal Court on 5 April 2010.

(b) KHEC

(i) The First Arbitration Proceedings

KHEC, a sub-contractor for the Chennai Water Supply Augmentation Project 1 - Package III ("Chennai Project"), has initially referred certain disputed claims totalling Rs8,44,26,981 (equivalent to approximately RM6.75 million) against PNHB-LANCO-KHEC JV ("the Consortium"), a jointly controlled entity in India of the Company.

Arising from the arbitration proceedings initiated by KHEC, both KHEC and the Consortium have each appointed a qualified civil engineer as their arbitrator respectively, and both arbitrators have selected a retired Judge of the High Court in Chennai, India as the third arbitrator who will also act as the presiding arbitrator of the arbitral tribunal. The arbitral tribunal was officially constituted on 24 September 2005. On 28 September 2005, the Company was informed that the arbitral tribunal has fixed the following dates for the filing of the arbitration cause papers as part of the preliminary procedural formalities:

- (i) claim by the claimant, KHEC to be filed before 4 October 2005;
- (ii) rejoinder by the respondent, the Consortium to be filed before 18 November 2005; and
- (iii) reply rejoinder by the claimant, KHEC to be filed before 5 December 2005.

The Consortium had on 2 January 2006, filed its counter-claim amounting to Rs13,61,61,931 (equivalent to approximately RM10.89 million) against KHEC's claim of Rs8,44,26,981 (equivalent to approximately RM6.75 million) to the arbitral tribunal in India.

The Statement of Claim lodged by KHEC had subsequently been revised from Rs8,44,26,981 (equivalent to approximately RM6.75 million) to Rs9,84,58,245 (equivalent to approximately RM7.88 million) whilst the counter-claim submitted by the Consortium, had also been revised as per the rejoinder, from Rs13,61,61,931 (equivalent to approximately RM10.89 million) to Rs13,63,39,505 (equivalent to approximately RM10.91 million).

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48. MATERIAL LITIGATIONS (CONT'D)

(b) KHEC (cont'd)

(i) The First Arbitration Proceedings (cont'd)

The Company was notified on 4 March 2009 by solicitors acting on behalf of Consortium that the Arbitration Panel had at its meeting held on 26 February 2009 accepted the letter of withdrawal from the Arbitration Panel dated 18 February 2009 from the arbitrator nominated by KHEC. As such, the date for further meeting of the Arbitration Panel was a to communicated after the appointment of the substitute arbitrator to be nominated by KHEC under Section 15(2) of the Arbitration and Conciliation Act, 1996 of India.

The Company was notified on 25 June 2009 that the first sitting of the newly formed Arbitration Panel for the First Arbitration Proceedings comprising the Presiding Arbitrator, the arbitrator nominated by the Consortium and the substitute arbitrator nominated by KHEC was held on 20 June 2009.

Based on legal advice, the Consortium is of the view that the claim by KHEC is not sustainable. The Arbitration proceedings is currently ongoing in India.

(ii) 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 JVA dated 13 February 2003 and the Supplemental Agreement to the JVA dated 26 March 2003 respectively, entered into between the Company, Lanco Infratech Limited and KHEC whereby KHEC is claiming for loss of profit (inclusive of interest and other cost) amounting to Rs5,44,32,916 (equivalent to approximately RM4.35 million) as they allege that they, despite being a 10% shareowner, received only 4.31% out of the total value of the contract works of the Chennai Project.

The Second Arbitration is being heard by a single arbitrator.

Based on legal advice, PNHB-Lanco members of the Consortium are of the view that it has a good case of defending the claim. The Second Arbitration proceedings is currently ongoing in India.

(c) ABASS

High Court Summons No: D-24NCC-41: 2009

On 5 October 2009, the solicitors of SYABAS were served with an Originating Summons dated 5 October 2009 ("Originating Summons") from the solicitors acting for ABASS on 8 October 2009.

In the Originating Summons, ABASS sought for, inter alia, the following:

- (i) A declaration that the Schedule of Bulk Supply Rates ("BSR") as set out in the Table of Appendix 1 of the First Supplemental Agreement dated 10 February 2001 ("First Supplemental Agreement") is to substitute the Schedule of BSR as set out in Table 1 at page 355 of Appendix 5 of the PCCA dated 9 December 2000;

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48. MATERIAL LITIGATIONS (CONT'D)

(c) ABASS (cont'd)

High Court Summons No: D-24NCC-41: 2009 (cont'd)

- (ii) A declaration that save for the substitution above to Appendix 5 of the PCCA, the Principles on the Bulk Supply Charge Payment Mechanism ("BSC"), the formulas and calculations of BSC by taking into account of any variable costs of chemicals and electricity tariff and any additional costs as set out at pages 1 to 15 of Appendix 5 of the PCCA remain applicable and are valid, binding and effectual between the parties;
- (iii) A declaration that the Addendum to the First Supplementary Agreement executed between the State Government and ABASS on 3 July 2008 is valid, binding and effectual between the parties;
- (iv) A declaration that SYABAS is liable to pay to ABASS the full amount of the invoices relating to electricity cost for the period from June 2006 until December 2008 and that judgement be entered for ABASS for the total sum of RM7,410,113.25;
- (v) A declaration that SYABAS is liable to pay to ABASS the short payment for electricity cost and purchase of water invoices for the period from January 2009 to April 2009 and that judgement be entered for Konsortium ABASS for the total sum of RM55,691,717.73; and
- (vi) General damages, interest, costs and such further or other order as deemed fit by the Court.

SYABAS' solicitors had, on behalf of SYABAS, filed the Memorandum of Appearance to the Kuala Lumpur High Court on 14 October 2009.

The solicitors of SYABAS had, on 5 November 2009, filed an Affidavit in Reply to the Affidavit filed by ABASS in support of their Originating Summons.

SYABAS disputed the amount due and owing in the total sum of RM63,101,830.98 as claimed by ABASS in the Originating Summons.

SYABAS had been advised by its solicitors that the claim by Konsortium ABASS is without basis in law and on the facts and have accordingly prayed that the Originating Summons be dismissed with costs.

The High Court had on 7 May 2010 allowed ABASS' Originating Summons on the following terms:

- (i) Judgment is entered in favour of ABASS against SYABAS in the amount of RM70,137,915.21 as at 31 March 2010 with judgment interest at 8% per annum on that amount from the date of judgment to the date of full settlement; and
- (ii) SYABAS to pay costs of RM20,000 to ABASS.

SYABAS had, on 11 May 2010, filed the Notice of Appeal for the appeal to the Court of Appeal against the decision of the High Court made on 7 May 2010 against SYABAS. The Court of Appeal had on 6 August 2010 allowed SYABAS' appeal with costs of RM20,000 and the Order of the High Court dated 7 May 2010 was set aside. At the mention held on 24 August 2010, the High Court had struck off SYABAS' stay application with no order as to costs since the Court of Appeal had allowed SYABAS' appeal on 6 August 2010.

Pursuant to the decision made by the Court of Appeal in allowing SYABAS' appeal on 6 August 2010, ABASS had not applied for leave to appeal to the Federal Court within thirty (30) days from the said decision and as such, the case is closed.

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48. MATERIAL LITIGATIONS (CONT'D)

(d) JAKS-KDEB

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 (the "Plaintiff") 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;
- (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.

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48. MATERIAL LITIGATIONS (CONT'D)

(d) JAKS-KDEB (cont'd)

Kuala Lumpur High Court Suit No. D4-22-1452-2006 (cont'd)

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-partes 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-partes hearing fixed on 7 November 2006.

At the hearing on 7 November 2006 (the "Hearing"), the High Court on the application of the Plaintiff's Solicitors, allowed an adjournment of the Hearing to 17 November 2006 to enable the Plaintiff to prepare a reply affidavit to the affidavit filed by the State Government, the 3rd Defendant to the Suit. Subsequently, the Hearing was adjourned to 20 November 2006.

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

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

On 22 March 2007, the High Court fixed the Case Management for mention on 4 April 2007. The application by JAKS-KDEB for Discovery against PUAS 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.

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.

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48. MATERIAL LITIGATIONS (CONT'D)

(d) JAKS-KDEB (cont'd)

Kuala Lumpur High Court Suit No. D4-22-1452-2006 (cont'd)

The High Court had subsequently adjourned the matter for Hearing on 30 October 2009 as the 3rd Defendant intends to oppose the Plaintiff's application to amend the Statement of Claim. The Hearing was adjourned to 12 November 2009 to enable the 3rd Defendant to file its Affidavit in Reply to the Plaintiff's Affidavit in Reply. At the Hearing held on 12 November 2009 for the Plaintiff's application to amend the Statement of Claim, the High Court had fixed the matter for decision on 18 November 2009. At the Case Management held on 18 November 2009, the High Court had allowed the Plaintiff's application to amend the Statement of Claim and fixed the matter for further Case Management on 12 January 2010. In response, SYABAS has then filed the Amended Statement of Defence on 22 January 2010 and the matter was fixed for further Case Management on 25 March 2010.

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

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

At the trial held on 21 January 2011, the High Court had vacated the dates previously fixed for the oral submissions on 24 January 2011 and 25 January 2011 and fixed additional dates for continued trials on 24 January 2011, 25 January 2011 and 26 January 2011. The trial dates previously fixed on 28 March 2011 to 31 March 2011 remain unchanged.

The matter has been fixed for further full trial on 5 May 2011, 6 May 2011, 20 May 2011, 8 June 2011, 9 June 2011, 10 June 2011. The trial dates on 30 March 2011 and 31 March 2011 have been vacated.

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

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

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48. MATERIAL LITIGATIONS (CONT'D)

(d) JAKS-KDEB (cont'd)

Kuala Lumpur High Court Suit No. D4-22-1452-2006 (cont'd)

On 22 July 2009, the High Court had at the Hearing of the First and Second Defendants' application to amend the High Court Order dated 22 November 2006 allowed the addition of the words "dan/atau Kerajaan Negeri Selangor" to be added in the Order together with the word "SPAN". The addition was requested by the Plaintiff and consented by the Selangor State Legal Advisor, representing the 3rd Defendant.

(e) ADP-PJI Joint Venture ("ADP-PJI JV")

On 27 February 2009, PNSB was notified by its solicitors on the Points of Claim dated 25 February 2009 served by ADP-PJI JV on 26 February 2009 for arbitration proceedings against PNSB.

The details of the arbitration are as follows:

- (i) By way of a Letter of Award dated 5 August 2004, PNSB awarded the design, construction, completion and commissioning of a water treatment plant ("the Works") for the "Projek Pembinaan Loji/Kolam Takungan dan Paip Utama Telibong dan Telipok, Sabah" ("Sabah Project") to an unincorporated joint venture known as ADP-PJI JV for a fixed price lump sum of RM65,161,515.01.
- (ii) On 26 December 2007, upon the advice of its solicitors, PNSB issued a notice determining the employment of ADP-PJI JV for, inter alia, a failure to proceed regularly and diligently with the Works. ADP-PJI JV disputed the termination and referred the matter to the Superintending Officer ('S.O.') under the contract for a decision. Following the reference to the S.O. for a decision and being dissatisfied with the same, ADP-PJI JV had referred the disputes surrounding the termination of their employment to arbitration.
- (iii) ADP-PJI JV via its solicitors had served a Points of Claim dated 25 February 2009 in the arbitration against PNSB via PNSB's solicitors on 26 February 2009.
- (iv) The Points of Claim seeks various reliefs arising from the alleged wrongful determination of ADP-PJI JV's employment. ADP-PJI JV is claiming for the sum of RM10,080,201.31 for loss, expense and damages, disruption to progress of employment works, failure to pay the amounts certified and for works completed which have not been certified and other breaches of contract or such other sum as ADP-PJI JV may be found entitled to recover from PNSB arising from the alleged wrongful determination of ADP-PJI JV's employment.
- (v) On 27 April 2009, PNSB had served its Points of Defence and Counter Claim in the arbitration stating, among others, that PNSB has rightfully determined the employment of ADP-PJI JV due to ADP-PJI JV's breaches of the contract for the "Projek Pembinaan Loji/Kolam Takungan dan Paip Utama Telibong dan Telipok, Sabah" and the failure to meet the completion date for the Sabah Project.

PNSB's Counter Claim involves amongst others, the additional costs incurred in completing the works for the Sabah Project ("Works"), additional costs in respect of the maintenance obligations, management and staff costs, damages, liquidated or general damages by reason of the delay in completion of the Works and overtime claim by the engineers for the purposes of construction supervision.

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48. MATERIAL LITIGATIONS (CONT'D)

(e) ADP-PJI Joint Venture ("ADP-PJI JV") (cont'd)

- (vi) PNSB was notified on 1 June 2009 by its solicitors that the latter had been served with ADP-PJI JV's Reply and Defence to Counterclaim dated 28 May 2009 by the solicitors acting for ADP-PJI JV, which in substance joins issue with PNSB's Points of Defence and Counterclaim dated 27 April 2009 and reiterates ADP-PJI JV's earlier position vide its Points of Claim dated 25 February 2009.
- (vii) PNSB had on 4 November 2010 closed their case and the Arbitrator had directed for written submissions to be filed by ADP-PJI JV and PNSB by 29 January 2011 and 1 April 2011 respectively and reply, if any, by 2 May 2011.
- (viii) The Arbitrator had subsequently allowed PNSB's solicitors to file in their written submission by 3 May 2011 and correspondingly, ADP-PJI JV's solicitors is required to submit their reply by 3 June 2011.

(f) SPLASH

Kuala Lumpur High Court Civil Suit No. D-22ND-398-2009

On 19 November 2009, SYABAS was served with a Writ and Statement of Claim ("Statement of Claim") dated 30 October 2009 from the solicitors acting for SPLASH.

SPLASH's claim is for alleged outstanding amount due and owing in respect of the Supply Charge and Capacity Charge from SYABAS under the Privatisation Agreement dated 24 January 2000, Supplemental Agreement dated 3 February 2005 and the Novation Agreement dated 3 February 2005.

In the Statement of Claim, SPLASH sought for, inter alia, the following:

- (i) The sum of RM196,343,723.99 being payment for the invoices;
- (ii) Interest on the sum of RM22,495,131.18 which is the Capacity Charge for the month of October 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 February 2009 until the date of full realisation;
- (iii) Interest on the sum of RM23,103,687.43 which is the Capacity Charge for the month of November 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 March 2009 until the date of full realisation;
- (iv) Interest on the sum of RM19,387,068.61 which is the Capacity Charge for the month of December 2008 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 April 2009 until the date of full realisation;
- (v) Interest on the sum of RM28,283,988.12 which is the Capacity Charge for the month of January 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 May 2009 until the date of full realisation;

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48. MATERIAL LITIGATIONS (CONT'D)

(f) SPLASH (cont'd)

Kuala Lumpur High Court Civil Suit No. D-22ND-398-2009 (cont'd)

In the Statement of Claim, SPLASH sought for, inter alia, the following: (cont'd)

- (vi) Interest on the sum of RM26,653,975.96 which is the Capacity Charge for the month of February 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 June 2009 until the date of full realisation;
- (vii) Interest on the sum of RM27,268,760.61 which is the Capacity Charge for the month of March 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 July 2009 until the date of full realisation;
- (viii) Interest on the sum of RM24,797,813.57 which is the Capacity Charge for the month of April 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 August 2009 until the date of full realisation;
- (ix) Interest on the sum of RM24,353,298.51 which is the Capacity Charge for the month of May 2009 at the rate of one percent (1%) per annum plus the Base Lending Rate of Malayan Banking Berhad on a daily basis from 1 September 2009 until the date of full realisation; and
- (x) Costs.

SYABAS had instructed its solicitors to defend the above claims. The solicitors of SYABAS had on 6 January 2010, filed and served SYABAS' Defence to the claim filed by SPLASH dated 30 October 2009. The High Court had on 26 January 2010 fixed the case for mention on 22 February 2010 and for further case management on 25 March 2010 for SPLASH to amend the Statement of Claim. The High Court had on 30 April 2010 allowed the Plaintiff's application to amend their Writ of Summons and Statement of Claim by consent. The solicitors of SYABAS had on 18 May 2010 filed and served the Amended Defence dated 18 May 2010.

On 20 August 2010, the High Court adjourned the hearing to 29 September 2010 and allowed the parties to exchange affidavits in the meantime. At the hearing on 29 September 2010, the High Court postponed the hearing for SPLASH's application under Order 33 Rule 2 for the High Court to determine preliminary issues on the construction of the proportionate payment clauses in the Novation Agreement with SYABAS, to 29 October 2010 whilst SYABAS' application to reamend the Amended Defence was allowed with costs.

At the hearing on 29 October 2010, the High Court had reserved decision of SPLASH's application to 12 November 2010.

SPLASH's application under Order 33 Rule 2 to hear the preliminary issues were allowed by the High Court on 12 November 2010 and the matter was fixed for Hearing on 10 January 2011.

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

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48. MATERIAL LITIGATIONS (CONT'D)

(f) SPLASH (cont'd)

Kuala Lumpur High Court Civil Suit No. D-22ND-398-2009 (cont'd)

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 SYABAS' solicitors pending decision by the High Court on the plaintiff's claim which had been fixed on 21 February 2011.

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

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

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

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

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48. MATERIAL LITIGATIONS (CONT'D)

(g) Kerajaan Negeri Selangor (“ State Government”)

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

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

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

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

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

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

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48. MATERIAL LITIGATIONS (CONT'D)

(g) Kerajaan Negeri Selangor ("State Government")

Kuala Lumpur High Court Originating Summons No. D-24NCC-388-2010 (cont'd)

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

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

(h) ABASS

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

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

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

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

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48. MATERIAL LITIGATIONS (CONT'D)

(h) ABASS (cont'd)

Kuala Lumpur High Court Writ Summons No: 22NCC-543-2011 (cont'd)

(vii) Damages for breach of contract; and

(viii) Costs.

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

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

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

49. ADJUSTMENT ARISING FROM FINALISATION OF INITIAL PROVISIONAL ACCOUNTING ESTIMATE AND COMPARATIVES

The Group had acquired XINNUO and LUWEI in the financial year ended 31 December 2008 and the acquisitions are regarded as business combinations in accordance with FRS 3: Business Combinations. The purchase price allocation ("PPA") of the acquisition of XINNUO and LUWEI were provisional as the PPA exercise had not been carried out. FRS 3: Business Combinations permits the determination of goodwill on a provisional basis and adjustments may be made within 12 months after the acquisition. During the financial year ended 31 December 2009, the Group had undertaken a PPA exercise in assessing the provisional concession right which was revised downwards from RM11 million to RM9 million. As a result of this, the overall fair value of the net assets was revised downwards from RM18 million to RM14 million as at the date of acquisition and this has been accounted for retrospectively. Accordingly, certain comparatives as at 31 December 2008 have been reclassified as follows:

	As previously stated RM	Reclassified RM	As restated RM
(i) Effects on statement of financial position as at 31 December 2008			
<u>Non-current assets</u>			
Project development expenditure	3,465,898,690	(1,901,605)	3,463,997,085
Goodwill	507,584,964	3,487,386	511,072,350
<u>Total Equity</u>			
Retained earnings	863,879,208	48,507	863,927,715
Minority interests	177,719,709	(700,657)	177,019,052
<u>Non-current liabilities</u>			
Deferred taxation	162,588,664	2,237,931	164,826,595

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

49. ADJUSTMENT ARISING FROM FINALISATION OF INITIAL PROVISIONAL ACCOUNTING ESTIMATE AND COMPARATIVES (CONT'D)

	As previously stated RM	Reclassified RM	As restated RM
(ii) Effects on consolidated income statement for the year ended 31 December 2008			
Depreciation and amortisation expenses	378,381,809	(24,235)	378,357,574
Taxation	32,773,785	(34,675)	32,739,110
Profit net of tax	22,081,233	58,910	22,140,143
Attributable to:			
Owners of the parent	21,573,475	48,507	21,621,982
Minority interests	507,758	10,403	518,161
Earnings per share attributable to equity owners of the parent:			
- basic	5.27 sen	0.02 sen	5.29 sen
- diluted	N/A	N/A	N/A

50. COMPARATIVES

The following comparative figures as reported in the statements of financial position have been reclassified to conform with the current year's presentation:

	Previously reported RM	Reclassification RM	Restated RM
Group			
As at 31 December 2009			
Trade and other receivables	762,482,378	(21,931,409)	740,550,969
Other current assets	-	21,931,409	21,931,409
Trade and other payables	1,123,032,034	(4,161,411)	1,118,870,623
Other current liabilities	-	4,161,411	4,161,411
As at 1 January 2009			
Trade and other receivables	322,210,923	(25,009,752)	297,201,171
Other current assets	-	25,009,752	25,009,752
Trade and other payables	995,392,363	(1,520,731)	993,871,632
Other current liabilities	-	1,520,731	1,520,731

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

50. COMPARATIVES (CONT'D)

	Previously reported RM	Reclassification RM	Restated RM
Company			
As at 31 December 2009			
Trade and other receivables	62,584,995	(8,912,100)	53,672,895
Other current assets	–	8,912,100	8,912,100
As at 1 January 2009			
Trade and other receivables	205,629,191	(14,797,380)	190,831,811
Other current assets	–	14,797,380	14,797,380

51. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 April 2011.

Notes to the Financial Statements

For the financial year ended
31 December 2010

cont'd

52. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group RM	Company RM
Total retained earnings of the Company and its subsidiaries		
- Realised	1,521,500,532	417,956,992
- Unrealised	618,928,798	17,051,564
	2,140,429,330	435,008,556
Total share of retained earnings/(accumulated losses) from associated companies:		
- Realised	(4,601)	-
- Unrealised	-	-
Total share of retained earnings/(accumulated losses) from jointly controlled entities:		
- Realised	(1,728,564)	-
- Unrealised	-	-
	2,138,696,165	435,008,556
Less : Consolidation adjustments	(1,141,507,908)	-
Total group retained earnings as per consolidated accounts	997,188,257	435,008,556

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Puncak Niaga Holdings Berhad (416087-U) 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 Monday, 27 June 2011 at 10.00 a.m. for the following purposes:-

- | | |
|---|---|
| 1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon. | RESOLUTION 1 |
| 2. To re-elect the following Directors of the Company who retire by rotation pursuant to Article 98 of the Company's Articles of Association:-

(a) YBhg Tan Sri Rozali Bin Ismail
(b) YBhg Tan Sri Dato' Hari Narayanan Govindasamy
(c) YBhg Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak | RESOLUTION 2
RESOLUTION 3
RESOLUTION 4 |
| 3. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. | RESOLUTION 5 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolution:-

- | | |
|---|---------------------|
| 4. Allotment Of Shares Pursuant To Section 132D Of The Companies Act, 1965 | RESOLUTION 6 |
|---|---------------------|

“**THAT** subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors of the Company be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company, from time to time, and upon such terms and conditions and for such purposes as the Directors of the Company may deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the issued share capital of the Company for the time being **AND THAT** the Directors of the Company be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad **AND FURTHER THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

Notice of Annual General Meeting

cont'd

- To transact any other ordinary business of which due notice shall have been given.

BY ORDER OF THE BOARD

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

Shah Alam
 3 June 2011

Notes:-

- 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. 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 Securities Industry (Central Depositories) Act, 1991, 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 appoints two (2) proxies, 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 Registered Office of the Company at 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.
- Explanatory Note On Special Business:-**

Resolution 6 – Allotment Of Shares Pursuant To Section 132D Of The Companies Act, 1965

The Ordinary Resolution proposed under item 4 is for the purpose of seeking a renewal of the general mandate to empower the Directors of the Company pursuant to Section 132D of the Companies Act, 1965, from the date of the above Meeting, to issue and allot ordinary shares from the unissued share capital of the Company for such purposes as the Directors of the Company consider would be in the interest of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

This authority will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited to placement of shares, funding future investment(s) and/or working capital.

As at the date of this Notice, the Company did not implement its proposal for new allotment of shares under the general mandate pursuant to Section 132D of the Companies Act, 1965 as granted at the Thirteenth Annual General Meeting of the Company held on 23 June 2010.

Statement Accompanying the Notice of Annual General Meeting

DETAILS OF DIRECTORS STANDING FOR RE-ELECTION AT THE FOURTEENTH ANNUAL GENERAL MEETING:-

Name of Retiring Director	Tan Sri Rozali Bin Ismail	Tan Sri Dato' Hari Narayanan Govindasamy	Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak
Age	54	61	62
Nationality	Malaysian	Malaysian	Malaysian
Qualification	Bachelor of Laws Degree from the University of Malaya	Bachelor's Degree in Electrical and Electronics Engineering from the University of Northumbria, England	1. Bachelor of Arts Degree (Honours) from the University of Malaya 2. Certificate in Diplomacy (Foreign Service Course) from the University of Oxford
Position In PNHB	Executive Chairman	Independent Non-Executive Director	Independent Non-Executive Director
Working Experience & Occupation	For details of YBhg Tan Sri Rozali Bin Ismail's profile, please refer to his profile on pages 28 to 29 of this Annual Report	For details of YBhg Tan Sri Dato' Hari Narayanan Govindasamy's profile, please refer to his profile on page 34 of this Annual Report	For details of YBhg Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak's profile, please refer to his profile on page 37 of this Annual Report
Directorships in other public companies	Gabungan Wawasan Generasi Felदा Berhad	1. Tenaga Nasional Berhad 2. SP Setia Berhad	1. Seremban Engineering Berhad 2. AsiaEP Berhad 3. F3 Strategies Berhad

Statement Accompanying the Notice of Annual General Meeting

cont'd

Name of Retiring Director	Tan Sri Rozali Bin Ismail	Tan Sri Dato' Hari Narayanan Govindasamy	Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak
Equity securities interests in PNHB and its subsidiaries	Please refer to page 200 of this Annual Report	Please refer to page 200 of this Annual Report	Please refer to page 200 of this Annual Report
Family relationship with any director and/or major shareholder of PNHB	None	None	None
Any conflict of interest with PNHB	None	None	None
List of convictions for offences (other than traffic offences, if any) within the past 10 years	None	None	None

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PUNCAK NIAGA HOLDINGS BERHAD
(INCORPORATED IN MALAYSIA)

Proxy Form

Number of shares held	Please fill in CDS Account No.									
				-			-			

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 Fourteenth Annual 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 Monday, 27 June 2011 at 10.00 a.m. and at any adjournment thereof, as indicated below:-

No.	Resolution	For	Against
1.	To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2010 together with the Reports of the Directors and Auditors thereon.		
2.	To re-elect YBhg Tan Sri Rozali Bin Ismail as Director of the Company.		
3.	To re-elect YBhg Tan Sri Dato' Hari Narayanan Govindasamy as Director of the Company.		
4.	To re-elect YBhg Tan Sri Dato' Ahmad Fuzi Bin Haji Abdul Razak as Director of the Company.		
5.	To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.		
6.	To empower the Directors of the Company to issue shares pursuant to Section 132D of the Companies Act, 1965.		

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 2011

.....
 Signature(s)/Common Seal of Shareholder
 NRIC/Company No. :

Tel. No. :

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint another person to attend and vote in his stead.
2. 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. 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 Securities Industry (Central Depositories) Act, 1991, 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 appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. 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.
4. 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.
5. The instrument appointing the proxy must be deposited at the Registered Office of the Company at 10th Floor, Wisma Rozali, No. 4, Persiaran Sukan, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or any adjournment thereof.

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STAMP

SECRETARIAL DEPARTMENT

Puncak Niaga Holdings Berhad (416087-U)

10th Floor, Wisma Rozali

No. 4, Persiaran Sukan

Seksyen 13, 40100 Shah Alam

Selangor Darul Ehsan

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Corporate Directory

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Seksyen 13, 40100 Shah Alam
Selangor Darul Ehsan
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PUNCAK NIAGA (M) SDN BHD

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Tel : +603-2282 6244/
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Website: www.syabas.com.my

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Fax : +603-2295 5168
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<your complaints/feedback>
e-mail: puspel@syabas.com.my
Network: follow@puspel
(on Twitter and Facebook)

PUNCAK RESEARCH CENTRE SDN BHD

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Fax : +86-21-60905281

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251802 People's Republic of China

LUANCHENG DAYU WATER SUPPLY CO LTD

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Puncak Niaga Holdings Berhad 416087 U

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