**GEORGE KENT (MALAYSIA) BERHAD**
**Condensed Consolidated Income Statements for the Nine-Month Period Ended 31 October 2007**

| | Note | 3 months ended 31.10.2007 RM'000 | 3 months ended 31.10.2006 RM'000 (restated) | 9 months ended 31.10.2007 RM'000 | 9 months ended 31.10.2006 RM'000 (restated) |
|---|---|---|---|---|---|
| Revenue | 5 | 24,480 | 20,939 | 64,584 | 66,387 |
| Cost of sales | | (17,162) | (13,868) | (44,071) | (44,236) |
| **Gross profit** | | 7,318 | 7,071 | 20,513 | 22,151 |
| Other income | | 896 | 706 | 6,144 | 2,003 |
| Administrative and other expenses | | (6,133) | (5,267) | (15,878) | (15,431) |
| Distribution cost | | (114) | (110) | (306) | (297) |
| **Operating Profit** | | 1,967 | 2,400 | 10,473 | 8,426 |
| Finance costs | | (515) | (442) | (1,295) | (1,227) |
| Share of profit of associates | | 671 | 39 | 1,860 | 1,161 |
| **Profit before tax** | | 2,123 | 1,997 | 11,038 | 8,360 |
| Income tax expense | 22 | (205) | (496) | (3,316) | (2,592) |
| **Profit for the period** | 5 | 1,918 | 1,501 | 7,722 | 5,768 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 1,901 | 1,477 | 7,650 | 5,648 |
| Minority interest | | 17 | 24 | 72 | 120 |
| | | 1,918 | 1,501 | 7,722 | 5,768 |
| **Earnings per share attributable to equity holders of the Company (sen):** | | | | | |
| Basic, for profit for the period | 30 | 0.8 | 0.7 | 3.4 | 2.5 |
| Diluted, for profit for the period | 30 | 0.8 | 0.7 | 3.4 | 2.5 |

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 January 2007 and the accompanying explanatory notes attached to the interim financial statements.

**GEORGE KENT (MALAYSIA) BERHAD**
**Condensed Consolidated Balance Sheet As At 31 October 2007**

| | Note | As at 31.10.2007 RM'000 | As at 31.01.2007 RM'000 (restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant & equipment | 10 | 50,609 | 56,337 |
| Prepaid land lease payments | | 91 | 91 |
| Intangible assets | | 566 | 613 |
| Investment in associates | | 22,452 | 20,192 |
| Other investments | 24 | - | 292 |
| Deferred tax asset | | 1,121 | 1,176 |
| | | 74,839 | 78,701 |
| **Current assets** | | | |
| Inventories | | 29,490 | 39,598 |
| Trade and other receivables | | 28,951 | 24,049 |
| Tax recoverable | 22 | 1,260 | 1,813 |
| Marketable securities | 24 | 405 | 227 |
| Cash and bank balances | | 24,361 | 22,061 |
| | | 84,467 | 87,748 |
| **TOTAL ASSETS** | | 159,306 | 166,449 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 11 | 79,228 | 79,228 |
| Share premium | | 2,065 | 2,065 |
| ICULS | 11 | 33,382 | 33,382 |
| Other reserves | | 9,050 | 9,479 |
| Accumulated losses | | (2,038) | (11,398) |
| | | 121,687 | 112,756 |
| **Minority interests** | | 895 | 823 |
| **Total equity** | | 122,582 | 113,579 |
| **Non-current liabilities** | | | |
| Borrowings | 26 | 14,085 | 19,605 |
| Deferred tax liabilities | | 1,245 | 1,902 |
| | | 15,330 | 21,507 |
| **Current Liabilities** | | | |
| Borrowings | 26 | 3,811 | 9,607 |
| Trade and other payables | | 17,563 | 21,661 |
| Current tax payable | | 20 | 95 |
| | | 21,394 | 31,363 |
| **Total liabilities** | | 36,724 | 52,870 |
| **TOTAL EQUITY AND LIABILITIES** | | 159,306 | 166,449 |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 January 2007 and the accompanying explanatory notes attached to the interim financial statements.

**GEORGE KENT (MALAYSIA) BERHAD**

**Condensed Consolidated Statement of Changes in Equity for the Nine-Month Period Ended 31 October 2007**

| | Attributable to Equity Holders of the Company | | | | | | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | Non-Distributable | | | | | | |
| | Share Capital RM'000 | Share Premium RM'000 | ICULS RM'000 | Other Reserves RM'000 | Accumulated Losses RM'000 | Total RM'000 | RM'000 | RM'000 |
| **At 1 February 2006** | 79,228 | 2,065 | 33,382 | 11,263 | (19,479) | 106,459 | 677 | 107,136 |
| Foreign currency translation | - | - | - | (557) | - | (557) | - | (557) |
| Net expense recognised directly in equity | - | - | - | (557) | - | (557) | - | (557) |
| Profit for the period | - | - | - | - | 5,648 | 5,648 | 120 | 5,768 |
| Total recognised income and expense for the period | - | - | - | (557) | 5,648 | 5,091 | 120 | 5,211 |
| **At 31 October 2006** | 79,228 | 2,065 | 33,382 | 10,706 | (13,831) | 111,550 | 797 | 112,347 |
| | | | | | | | | |
| **At 1 February 2007** | 79,228 | 2,065 | 33,382 | 9,479 | (11,398) | 112,756 | 823 | 113,579 |
| Foreign currency translation | - | - | - | 624 | - | 624 | - | 624 |
| Deferred tax asset | - | - | - | 657 | - | 657 | - | 657 |
| Reversal of asset revaluation reserve | - | - | - | (1,710) | 1,710 | - | - | - |
| Net income recognised directly in equity | - | - | - | (429) | 1,710 | 1,281 | - | 1,281 |
| Profit for the period | - | - | - | - | 7,650 | 7,650 | 72 | 7,722 |
| Total recognised income and expense for the period | - | - | - | (429) | 9,360 | 8,931 | 72 | 9,003 |
| **At 31 October 2007** | 79,228 | 2,065 | 33,382 | 9,050 | (2,038) | 121,687 | 895 | 122,582 |

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2007 and the accompanying explanatory notes attached to the interim financial statements.

**GEORGE KENT (MALAYSIA) BERHAD**
**Condensed Consolidated Cash Flow Statement for the Nine-Month Period Ended 31 October 2007**

| | 9 Months ended | |
|---|---|---|
| | 31.10.2007 | 31.10.2006 |
| | RM' 000 | RM' 000 |
| Net cash generated from/(used in) operating activities | 6,736 | (6,814) |
| Net cash generated from investing activities | 6,575 | 4,569 |
| Net cash used in financing activities | (11,362) | 3,528 |
| Net (Decrease)/Increase in cash & cash equivalents | 1,949 | 1,283 |
| Effect of exchange rate changes | 239 | (350) |
| Cash & cash equivalents at beginning of the financial quarter | 18,656 | 18,229 |
| Cash & cash equivalents at end of the financial period * | 20,844 | 19,162 |

* Cash and cash equivalents comprise the following as at the end of the period:

| | As at | As at |
|---|---|---|
| | 31.10.2007 | 31.10.2006 |
| | RM'000 | RM'000 |
| Cash and bank balances | 24,361 | 22,566 |
| Bank overdrafts (included within short term borrowings in Note 26) | (61) | - |
| | 24,300 | 22,566 |
| Deposits with licensed banks (restricted portion) | (3,456) | (3,404) |
| Total cash and cash equivalents | 20,844 | 19,162 |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 January 2007 and the accompanying explanatory notes attached to the interim financial statements.

**GEORGE KENT (MALAYSIA) BERHAD**

## Part A – Explanatory Notes Pursuant to FRS 134

### 1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of freehold land included within property, plant and equipment and financial assets at fair value through profit or loss.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 January 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 January 2007.

### 2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 January 2007 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 February 2007:

| | |
|---|---|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS 117 | Leases |
| FRS 119 | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |
| FRS 124 | Related Party Disclosures |

The adoption of FRS 6, 119 and 124 does not have significant financial impact on the Group. The principal effect of the change in accounting policy resulting from the adoption of the FRS 117 is discussed below:

#### FRS 117: Leases

#### (i) Leasehold land held for own use

Prior to 1 February 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are 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 represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 February 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 January 2007 are set out in Note 3. There were no effects on the consolidated income statement for the period ended 31 October 2007.

**(ii) Initial direct costs**

Prior to 1 February 2007, the Group, as lessee in operating lease arrangements, had recognised initial direct costs incurred in negotiating and arranging leases as an expense in the profit or loss in the period in which they were incurred. The revised FRS 117 requires such costs to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. According to the revised FRS 117, this change in accounting policy should be applied retrospectively. The Group did not incur significant initial direct costs on negotiating and arranging leases and as a result, this change in accounting policy has no impact on the Group's financial statements.

## 3. Restatement of Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs and reclassification of expenses:

| | Previously stated | Adjustments FRS 101 | Adjustments FRS 117 | Restated |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 31 January 2007** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 56,428 | - | (91) | 56,337 |
| Prepaid land lease payments | - | - | 91 | 91 |
| **For 3 months ended 31 October 2006** | | | | |
| Other income | 217 | 489 | - | 706 |
| Interest income | 489 | (489) | - | - |
| Share of profit of associates | 191 | (152) | - | 39 |
| Profit before tax | 2,149 | (152) | - | 1,997 |
| Income tax expense | (648) | 152 | - | (496) |
| **For 9 months ended 31 October 2006** | | | | |
| Other income | 700 | 1,303 | - | 2,003 |
| Interest income | 1,303 | (1,303) | - | - |
| Share of profit of associates | 1,767 | (606) | - | 1,161 |
| Profit before tax | 8,966 | (606) | - | 8,360 |
| Income tax expense | (3,198) | 606 | - | (2,592) |

## 4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 January 2007 was not qualified.

5. **Segmental Information**

The Group is organised on a worldwide basis into two major geographical segments, namely Malaysia and Overseas.

| | 3 months ended | | 9 months ended | |
|---|---|---|---|---|
| | 31.10.2007 | 31.10.2006 | 31.10.2007 | 31.10.2006 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Segment Revenue** | | | | |
| Malaysia | 21,526 | 18,796 | 56,262 | 60,044 |
| Overseas | 2,954 | 2,143 | 8,322 | 6,343 |
| Total revenue | 24,480 | 20,939 | 64,584 | 66,387 |
| **Segment Results** | | | | |
| Malaysia | (145) | 462 | 2,940 | 2,180 |
| Overseas | 2,063 | 1,039 | 4,782 | 3,588 |
| Total results | 1,918 | 1,501 | 7,722 | 5,768 |

6. **Unusual Items Due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter.

7. **Changes in Estimates**

There were no changes in estimates that have a material effect in the current quarter results.

8. **Comments About Seasonality or Cyclical Operations**

The Group's performance was not affected by seasonal or cyclical factors.

9. **Dividends Paid**

The Company did not pay any dividends.

10. **Carrying Amount of Revalued Assets**

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 January 2007.

11. **Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the quarter.

## 12. Changes in Composition of the Group

On 4 April 2007, Asialink Pacific Limited, a wholly-owned subsidiary of George Kent (Malaysia) Berhad, acquired 100% of the issued and paid-up capital of George Kent (China) Co., Ltd ("GKC") comprising 1 ordinary share of HK$1.00 for a nominal consideration of HK$1.00. On 10 April 2007, GKC signed the joint-venture contract to form Binzhou George Kent–Nanhai Water Co., Ltd ("BGKN") with a state-owned enterprise Binzhou Nanhai Water Co., Ltd. of Binzhou City, Shandong, China, on a 60:40 basis to manage and supply water under a 30 year concession granted by the Government of Binzhou City. BGKN will acquire an existing 20 mld water treatment plant and infrastructure from Binzhou Nanhai Water Co., Ltd. and will upgrade the treatment plant to 50 mld. Conditions Precedent are expected to be completed by the end of the year.

Save for the above, there were no other material changes in the composition of the Group during the period.

## 13. Discontinued Operations

There were no discontinued operations as at the end of the period.

## 14. Capital Commitments

There were capital commitments of RM658,000 for plant and equipment as at the end of the period.

## 15. Changes in Contingent Liabilities and Contingent Assets

The Group does not have any contingent liabilities or contingent assets.

## 16. Subsequent Events

There were no material events subsequent to the end of the period.

## 17. Related Party Disclosures

The Group had the following transactions with related parties during the period:

| | 9 months ended | |
|---|---|---|
| | 31.10.2007 | 31.10.2006 |
| | RM'000 | RM'000 |
| Related companies: * | | |
| Sale of products | 18 | 335 |
| Purchase of products | 287 | 387 |
| Rendering of services | 137 | 108 |
| Rental income | 50 | 57 |
| Associates: | | |
| Sale of products | 331 | 7,111 |
| Purchase of products | - | 979 |

* Related companies are companies within the Johan Holdings Berhad group.

**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

## 18. Performance Review

In the quarter ended 31 October 2007, the Group generated increased revenue of RM24.5 million (31 October 2006: RM20.9 million) due to higher sales of bulk water and higher project billings. The profit before tax increased to RM2.1 million (31 October 2006: RM2.0 million). The profit for the quarter was RM1.9 million (31 October 2006: RM1.5 million).

In the nine months ended 31 October 2007, the Group generated revenue of RM64.6 million (31 October 2006: RM66.4 million) with lower sales of manufactured and trading products and lower project billings. The profit before tax increased to RM11.0 million (31 October 2006: RM8.4 million) after accounting for a gain of RM4.0 million from the settlement with a creditor. The profit for the period was RM7.7 million (31 October 2006: RM5.8 million) after a charge of RM803,000 (31 October 2006: RM741,000) for withholding tax on dividend declared by a subsidiary and reversal of tax recoverable of RM1.4 million.

## 19. Comments on Material Change in Profit Before Taxation

The Group's profit before taxation for the current quarter ended 31 October 2007 was RM2.1 million which was lower by RM4.6 million or 69% compared to RM6.7 million for the previous quarter ended 31 July 2007.

## 20. Commentary on Prospects

The Group will remain focused on its core competencies in manufacturing and marketing of meters and other water works products, water infrastructure investments and M&E projects. It will continue with its strategy of enhancing its operating margins through cost efficiencies and technology.

The Board is optimistic of the prospects for the current year.

## 21. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

## 22. Income Tax Expense

| | 3 months ended | | 9 months ended | |
|---|---|---|---|---|
| | 31.10.2007<br>RM'000 | 31.10.2006<br>RM'000 | 31.10.2007<br>RM'000 | 31.10.2006<br>RM'000 |
| Current tax: | | | | |
| Malaysian income tax | (334) | 83 | (271) | 745 |
| Foreign tax | 539 | 413 | 2,195 | 1,847 |
| | 205 | 496 | 1,924 | 2,592 |
| Reversal of deferred tax asset | - | - | 9 | - |
| Reversal of tax recoverable | - | - | 1,383 | - |
| Total income tax expense | 205 | 496 | 3,316 | 2,592 |

Upon the adoption of the revised FRS 101, the Group's share of taxation of associates accounted for using the equity method are now included in the respective shares of profit reported in the consolidated income statement before arriving at the Group's profit before tax. The current period's and last year's corresponding period tax expenses include withholding taxes of RM803,000 and RM741,000, respectively, on dividends declared by a subsidiary. The effective tax rates are higher than the statutory tax rate due to the write off of provision of tax recoverable of RM1.4 million in a subsidiary.

## 23. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties in the period.

## 24. Marketable Securities

Details of purchases and disposals of quoted securities are as follows:

| | 9 months ended | |
|---|---|---|
| | 31.10.2007 | 31.10.2006 |
| | RM'000 | RM'000 |
| Included within Other investments:- | | |
| Acquired from trade debt settlement | 291 | - |
| Sale proceeds | 599 | - |
| Gain on disposal | 218 | - |

There were no purchases and disposals of quoted securities during the quarter.

Details of investments in quoted securities:

| | As at 31.10.2007 RM'000 | As at 31.01.2007 RM'000 |
|---|---|---|
| Included within Other investments:- | | |
| At cost | - | 399 |
| At book value | - | 289 |
| At market value | - | 289 |
| | | |
| Marketable securities:- | | |
| At cost | 4,791 | 4,791 |
| At book value | 405 | 227 |
| At market value | 405 | 227 |

## 25. Corporate Proposals

There were no corporate proposals that had not been completed.

## 26. Borrowings

| | As at 31.10.2007 RM'000 | As at 31.01.2007 RM'000 |
|---|---|---|
| Short Term Borrowings | 3,811 | 9,607 |
| Long Term Borrowings | 14,085 | 19,605 |
| Total Borrowings | 17,896 | 29,212 |

The total borrowings were secured. All of the borrowings are denominated in Ringgit Malaysia.

## 27. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments.

## 28. Changes in Material Litigation

On 22 September 2006, the Company, as co-plaintiff with Elster Metering Limited, served a Writ of Summons and Statement of Claim each on Damini Corporation Sdn Bhd, Delta Perdana Sdn Bhd, Premier Amalgamated Sdn Bhd and Dura-Mine Sdn Bhd in relation to their infringement of copyright of the design of the Kent PSM water meter. All the defendants have filed their defences. The trial date for the suit against Dura-Mine Sdn Bhd has been fixed on 11 March 2009. The other trial dates have not yet been fixed.

On 20 November, 2007, Damini Corporation Sdn Bhd and Delta Perdana Sdn Bhd have served an affidavit-in-reply to strike out the suit. Both parties had filed written submissions on 14 December 2007 simultaneously and are required to reply to the other's submission on 28 December 2007. On 8 January, 2008, the Judge will decide on the defendants' application to strike out the writ and statement of claim.

Save as above, the Group is not involved in any other material litigation.

## 29. Dividend Payable

No ordinary dividend has been declared for the period ended 31 October 2007 (31 October 2006: Nil).

## 30. Earnings per Share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the adjusted weighted average number of ordinary shares in issue during the period. In accordance with FRS133, the ICULS unissued shares are included as they are mandatorily convertible instruments.

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. ICULS. The ESOS shares are not included as the effect is anti-dilutive.

| | 3 months ended | | 9 months ended | |
|---|---|---|---|---|
| | 31.10.2007 | 31.10.2006 | 31.10.2007 | 31.10.2006 |
| Profit attributable to ordinary equity holders of the Company (RM'000) | 1,901 | 1,477 | 7,649 | 5,648 |
| Weighted average number of ordinary shares in issue ('000) | 158,455 | 158,455 | 158,455 | 158,455 |
| Adjustment for assumed conversion of ICULS ('000) | 66,764 | 66,764 | 66,764 | 66,764 |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 225,219 | 225,219 | 225,219 | 225,219 |
| Earnings per share attributable to equity holders of the Company (sen): | | | | |
| Basic, for profit for the period | 0.84 | 0.66 | 3.40 | 2.51 |
| Diluted, for profit for the period | 0.84 | 0.66 | 3.40 | 2.51 |

By Order of the Board

Teh Yong Fah
Company Secretary
18 December 2007