

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS

Details of the PBAHB Group's properties are set out as follows:-

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Air Itam Reservoir	212	Sect. 1, Air Itam, DTL	Reservoir & Treatment Plant	In perpetuity	5.749	61,642.54
	213			"	0.511	
	655			"	0.863	
	986			"	1.249	
					8.372	
Bukit Dumbar Reservoir	144	Sect. 4, Jelutong, DTL	Reservoir	In perpetuity	5.623	8,113,043.32
	646			"	8.802	
	658			"	2.430	
	659			"	0.289	
	661			"	0.930	
				18.074		
Waterfall Waterworks	260	18, DTL	Treatment Plant	99 yrs leasehold	2.125	5,486.63
Guillemard Reservoir	3780	18, DTL	Reservoir	In perpetuity	4.048	96,898.66
	3781			"	22.87	
					26.918	
Sg Klean, Sg Kechil & Teluk Tikus Catchment	229	17, DTL	Treatment Plant / Catchment	In perpetuity	120.090	4,220.20
	218	18, DTL		"	42.391	
					162.481	
Aquaduct Road & Access	228	17, DTL	Catchment	In perpetuity	22.839	27,240.03
	1			"	3.642	
	234			"	11.888	
	440			"	0.560	
					38.929	
3V's Access	197	2, DBD	Catchment	In perpetuity	4.550	35.32
	724			"	0.491	
	729			"	1.610	
	730			"	0.399	
	731			"	0.099	
	PT21			"	0.096	
	PT22			"	0.009	
	PT23			"	0.015	
	418			17, DTL	99 yrs leasehold	
	233	In perpetuity	1.184			
				8.605		

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)		
Batu Ferringhi Quarters, Bungalow & Treatment Plant	443	17, DTL	Quarters & Treatment Plant	In perpetuity	10.294	11,597,047.54		
					10.294			
Tat No. 1 Inlet & Site Intake (Sg Air Putih)	1588	16, DTL	Water intake	In perpetuity	0.025	82.00		
	1589				"		0.006	
							0.031	
Telok Bahang	PT54	1, DBD	Pumphouse, Treatment Plant, Office Quarters & Reservoir	In perpetuity	0.976	3,743,639.58		
	PT54				"		0.143	
	PT54				"		1.330	
	PT54				"		0.350	
	PT54				"		1.216	
	PT54				"		1.831	
	PT54				"		1.768	
	PT54				"		0.048	
	PT1	2, DBD			"		0.953	
	PT1				"		0.496	
	PT15				"		0.832	
	PT15				"		1.163	
	PT15				"		1.414	
	PT15				"		1.373	
	PT15				"		0.556	
	PT15				"		0.324	
	PT15				"		0.008	
	231				"		0.052	
	377				"		0.991	
	380				"		0.405	
	381				"		99 yrs leasehold	0.376
	383				"		In perpetuity	2.076
	384				"		"	0.628
	389				"		99 yrs leasehold	0.086
	535				"		In perpetuity	2.458
PT532	"	99 yrs leasehold	0.316					
233	"	In perpetuity	0.193					
235	"	"	0.059					
				22.421				

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Bukit Glugor Pumphouse	645	Glugor, DTL	Pumphouse	99 yrs leasehold	0.031	89.12
					0.031	
Teluk Kumbang Camp	473	11, DBD	Reservoir	In perpetuity	0.163	33,320.78
					0.163	
Rifle Range Road Workshop & Stores	PT2023	Sect. 2, Georgetown, DTL	Workshop, Store & Quarters	99 yrs leasehold	1.058	20,062,231.60
	727			In perpetuity	0.997	
	726			In perpetuity	0.304	
					2.359	
Balik Pulau Office & Store	PT123	4, DBD	Office, Quarters & Workshop	In perpetuity	0.347	193,354.06
					0.347	
Sungai Pinang Reservoir	266	3, DBD	Reservoir	In perpetuity	1.740	1,645,149.55
					1.740	
Level 33, KOMTAR	PTTL/A/255	Sect. 17, Georgetown, DTL	Office	99 yrs leasehold	0.137	3,094,511.84
Tiger Hill Waterworks	400	17, DTL	Pumphouse & Quarters	99 yrs leasehold	-	9,984.78
Sg Nibong Reservoir	PT1238	12, DBD	Reservoir	99 yrs leasehold	0.580	1,135,695.69
					0.580	
Mengkuang Dam Staff Quarters	1161	18, SPT	Quarters	In perpetuity	3.608	44,875.14
					3.608	
Sungai Dua Treatment Plant	2394	11, SPU	Treatment Plant	99 yrs leasehold	1.441	6,415,309.11
	2395			"	13.149	
					14.590	
Prai Intake/Sg. Perai pumping station	-	11, SPU	Intake	In perpetuity	1.325	5,264,117.07
					1.325	
Berapit Pumphouse	PT22	Sect. 1, Bkt M'jam, SPT	Pumphouse	99 yrs leasehold	0.046	-
	PT23			"	0.153	
					0.199	
Bukit Toh Allang Treatment Plant & Reservoir	469	13, SPU	Treatment Plant & Reservoir	99 yrs leasehold	4.672	219,635.94
	471			"	6.705	
	475			"	1.143	
					12.520	

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Barrage, Rantau Panjang	553	2, SPU	Barrage	99 yrs leasehold	0.324	
	554			"	0.190	
	964			"	-	
	965			"	0.478	
	968			"	0.289	
	969			"	0.281	
	972			"	0.351	
	973			"	0.788	
	974			"	0.325	
	976			"	0.166	
	977			"	1.419	
	978			"	1.677	
	994			"	-	
	1822			"	0.498	
	3046			"	-	
	3048			"	-	
	3050			"	-	
	3052			"	-	
	3053			"	-	
	3054			"	-	
	3055			"	-	
	3056			"	-	
	3057			"	-	
	3058			"	-	
	3059			"	0.981	
	3060			"	0.159	
	3061			"	2.471	
	3063			"	-	
	3064			"	-	
	3065			"	0.169	
	3066			"	0.173	
	3067			"	0.862	
3251	"	0.439				
3252	"	0.396				
PT1577	"	-				
PT3334	"	-				
PT3335	"	-				
PT3336	"	-				
					21.146	1,404,419.67

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Canal Pumping Station, Lahar Yooi	2456	11, SPU	Canal Pumping Station	99 yrs leasehold	0.553	
	2457			"	0.499	
	PT778			In perpetuity		
	PT779			"		
	PT2838			"		
	PT2840			"		
	PT2841			"	0.438	
	PT2842			"		
	PT2843					
	PT2844					
	PT2846				1.490	43,769.25
Mak Sulong Pumping Station	1608	20, SPT	Pumping Station	99 yrs leasehold	1.400	
	1609			"	3.154	
					4.554	150,538.98
Bukit Indera Muda Reservoir	927	3, SPT	Reservoir	99 yrs leasehold	2.959	
	928			"	2.970	
	1113			"	0.859	
					6.788	
Sg Nyior Store & Quarters	839	Sect. 4, Butterworth, SPU	Store & Quarters	99 yrs leasehold	0.487	
					0.487	188,216.71
Bukit Mertajam Treatment Plant	724	Sect. 6, SPT	Treatment Plant	99 yrs leasehold	2.444	
	852			17, SPT	"	
	1773	"	"	0.647		
				7.161	670,130.87	
Bukit Pancur Treatment Plant & Staff Quarters	395	8, SPS	Treatment Plant	99 yrs leasehold		
	396	"		"		
	843	"		"		
	847	"		"		
	906	"		"		
	907	"		"		
	961	"		"		
				448.465	347,525.97	
Lahar Tiang Pumping Station	419(1)	3, SPU	Pumphouse	99 yrs leasehold		
	42(2)	"		"		
	419(2)	"		"		
					2.910	30,353.04
Taman Selat Office, Butterworth	2603	Sect. 4, B'worth, SPU	Office	In perpetuity	0.017	
					0.017	632,618.18

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Sg Bakap Reservoir	PT30	12, SPS	Reservoir	99 yrs leasehold	0.116 0.116	90,663.66
Sg Kechil Intake	PT676	8, SPS	Intake	In perpetuity	0.158 0.158	53,526.30
Permatang Tinggi	PT1249	14, SPT	Pumphouse	In perpetuity	0.034 0.034	6,160.81
Jawi Reservoir	PT453 PT454 PT874	5, SPS " "	Reservoir	In perpetuity " "	0.951 1.890 0.291 3.132	1,618,670.73
Seberang Jaya Office	PT340	1, SPT	Office	99 yrs leasehold	1.213 1.213	1,663,735.33
Kampung Paya Quarters	665	Sect. 2, B'worth, SPU	Quarters	99 yrs leasehold	0.186 0.186	5,803.21
Jawi Office & Store	4953 4954	11, SPS "	Office/Store	99 yrs leasehold "	1.071 5.920 6.991	6,377,858.37
Chain Ferry Quarters	510	Sect. 4, B'worth, SPU	Quarters	99 yrs leasehold	0.225 0.225	4,201.50
Taman Pelangi Quarters	PT2974	11, SPT	Quarters	99 yrs leasehold	2.954 2.954	1,673,452.51
Kepala Batas Office, Bertam	PT2462	6, SPT	Office	99 yrs leasehold	1.262 1.262	1,194,580.37
Bkt Tok Kangar Reservoir	PT1020 PT1023 PT1024 PT1344	12, SPT " " "	Reservoir	In perpetuity " " "	8.831 0.723 0.034 0.270 9.858	-
Pipe Yard	PT1573	1. Prai Ind. Est., SPT	Store	99 yrs leasehold	1.296 1.296	169,237.52
Prai Elevated Storage Tank	76	Prai, SPT	Water Tank	99 yrs leasehold	0.166 0.166	612.47
Jalan Thamby Kecil Quarters & Stores & Elevated Storage Tank, Bagan Ajam	697 1336	Sect. 1 B'worth, SPU 14, Bagan Ajam	Water tank	99 yrs leasehold "	0.186 - 0.186	3,340.53

10. LANDED PROPERTIES, TREATMENT PLANTS AND RESERVOIRS (Cont'd)

Property	Lot No.	Location	Type	Tenure	Land Area (ha)	NBV as at 30 September 2001 (RM)
Penaga Booster Pumping Station	PT1047	4, SPU	Pumphouse	99 yrs leasehold	0.258 <hr/> 0.258	4,630.36
Pulau Aman Booster Pumping Station	103	16, SPS	Pumphouse	In perpetuity	0.747 <hr/> 0.747	-
Pipeline Reserve for 1445 mm MS mains from Sg Perai to Kpg Teluk Sg Dua	1142 1143 2993 2994 1145 1146	16, SPU " " " " "	Pipeline reserve	99 yrs leasehold " " " " "	0.179 0.185 0.034 0.031 0.135 0.211 <hr/> 0.775	343,750.90
Pipeline Reserve for 57" raw water mains (Mengkuang Scheme)	PT227(1)	13, SPU	Pipeline reserve	99 yrs leasehold	1.821 <hr/> 1.821	9,736.99
Pipeline Reserve for 1445 mm mains Kg Teluk Sg Dua to Jln Heng Choon Thian	538	2, SPT	Pipeline reserve	99 yrs leasehold	0.132 <hr/> 0.132	5,831.26
Perai Store & Workshop	Plot 12 (part)	6, Kaw. Prai IV, SPT	Store & Workshop	99 yrs leasehold	1.214 <hr/> 1.214	7,276,319.88
Teluk Kumbar Pumping Station	Lot 151	9, DBD	Pumping Station	In perpetuity	0.094	131,259.50
Junjung	Lot 2252	16, SPT	Water storage tank	60 yrs leasehold	0.166	25,066.40
Grand Total						88,057,837.28

11. FINANCIAL INFORMATION

11.1 Proforma Consolidated Profit and Dividend Records

The following table sets out a summary of Proforma Consolidated Results of PBAHB Group for the past 5 financial years ended 31 December 2000 and the 9 months ended 30 September 2001. This summary has been prepared based on the assumption that the Group structure has been in existence throughout the period under review. The Proforma Consolidated Results have been prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 12 of this Prospectus.

	← Proforma Group →					
	← Year ended 31 December →					9 months ended 30 September 2001
	1996	1997	1998	1999	2000	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	97,580	101,495	102,334	102,243	105,215	100,993
Miscellaneous income	21,961	29,184	24,634	26,368	21,151	13,357
Consolidated profit before depreciation, interest and taxation	67,636	75,830	66,336	68,111	59,980	55,395
Depreciation	(5,353)	(4,738)	(6,412)	(6,948)	(8,470)	(10,412)
Interest expense	(7,182)	(6,730)	(6,305)	(6,823)	(5,963)	(4,099)
Consolidated PBT	55,101	64,362	53,619	54,340	45,547	40,884
Taxation ⁽²⁾	-	-	-	(3,040)	(6,200)	540
Consolidated PAT	55,101	64,362	53,619	51,300	39,347	41,424
No. of ordinary shares of RM0.50 each assumed in issue (³ '000)	280,000	280,000	280,000	280,000	280,000	280,000
Gross EPS (sen) ⁽⁴⁾	19.68	22.99	19.15	19.41	16.27	19.47
Net EPS (sen) ⁽⁴⁾	19.68	22.99	19.15	18.32	14.05	19.73
Gross dividend rate (%)	-	-	-	-	-	-

11. FINANCIAL INFORMATION (*Cont'd*)

Notes:-

- (1) *The proforma consolidated results for the 5 financial years ended 31 December 2000 and for the financial period ended 30 September 2001 are prepared on the basis that the Group structure had been effective throughout the periods under review and are based on the audited accounts of PBAHB, PBAPP and PBA as follows:-*
 - (i) *PBAHB for the financial period ended 31 December 2000 and the financial period ended 30 September 2001;*
 - (ii) *PBAPP for the two financial period/year ended 31 December 2000 and the financial period ended 30 September 2001; and*
 - (iii) *PBA for the three financial years ended 31 December 1998 and the two months period ended 28 February 1999.*

All prior years' adjustments made in PBA audited accounts have been adjusted to the relevant years/period concerned.

- (2) *The disproportionate tax charge for the financial period ended 30 September 2001 was mainly due to reinvestment allowance claimed by PBAPP. The credit balance for the financial period ended 30 September 2001 was due to the reversal of the deferred tax charge of RM3,400,000 as a result of the reinvestment allowance claimed by PBAPP.*
- (3) *The number of ordinary shares assumed in issue throughout the financial years/period under review is the number of ordinary shares in issue after the acquisition of PBAPP and after the subdivision of the par value of the shares from RM1.00 to RM0.50.*
- (4) *The gross and net EPS have been calculated based on the number of ordinary shares of RM0.50 each assumed in issue during the years/period.*

The gross and net EPS for the financial period ended 30 September 2001 have been calculated based on the annualised profit for the period.

- (5) *There were no extraordinary items or minority interests in the profits of the proforma PBAHB Group during the financial years/period under review.*

11. FINANCIAL INFORMATION (Cont'd)

(i) PBAHB

The summarised income statements of PBAHB based on the audited accounts for the financial period ended 31 December 2000 and the financial period ended 30 September 2001, are set out below:-

	7 months ended 31 December 2000 RM'000	9 months ended 30 September 2001 RM'000
Revenue	-	-
Miscellaneous income	-	-
Loss before depreciation, interest and taxation	(78)	(31)
Depreciation	-	(4)
Interest expense	-	-
Loss before taxation	(78)	(35)
Taxation	-	-
Loss after taxation	(78)	(35)
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	*	212,308
Gross loss per share (RM+/-sen) ⁽¹⁾	(33,429)+	(0.02)
Net loss per share (RM+/-sen) ⁽¹⁾	(33,429)+	(0.02)

* 4 ordinary shares

Note:-

(1) *Annualised*

11. FINANCIAL INFORMATION (Cont'd)

(ii) PBAPP

The summarised income statements of PBAPP, based on the audited accounts for the financial period ended 31 December 1999, financial year ended 31 December 2000 and for the financial period ended 30 September 2001, are set out below :-

	11 months ended 31 December 1999 RM'000	Year ended 31 December 2000 RM'000	9 months ended 30 September 2001 RM'000
Revenue	85,821	105,215	100,993
Miscellaneous income	22,183	21,151	13,357
Profit before depreciation, interest and taxation	56,684	60,057	55,427
Depreciation	(5,810)	(8,470)	(10,408)
Interest expense	(4,546)	(5,963)	(4,099)
PBT	46,328	45,624	40,920
Taxation	(3,040)	(6,200)	540
PAT	43,288	39,424	41,460
Weighted average number of ordinary shares of RM1.00 each in issue ('000)	493	165,114	165,114
Gross EPS (sen)	⁽¹⁾ 11,276.59	27.63	⁽¹⁾ 33.04
Net EPS (sen)	⁽¹⁾ 10,536.63	23.88	⁽¹⁾ 33.48

Note:-

(1) *Annualised*

11. FINANCIAL INFORMATION (Cont'd)

(iii) PBA

The summarised income statements of PBA, based on the audited accounts for the three financial years ended 31 December 1998 and for the financial period ended 28 February 1999 are set out below :-

	← Year ended 31 December →			2 months ended 28 February 1999
	1996 RM'000	1997 RM'000	1998 RM'000	RM'000
Revenue	97,580	101,495	102,334	16,422
Miscellaneous income	14,961	15,284	15,007	3,300
Profit before depreciation, interest and taxation	60,636	61,930	56,709	10,125
Depreciation	(10,424)	(10,034)	(13,921)	(2,679)
Interest expense	(7,182)	(6,730)	(6,305)	(1,860)
PBT	43,030	45,166	36,483	5,586
Taxation	-	-	-	-
PAT	43,030	45,166	36,483	5,586
Weighted average number of ordinary shares of RM1.00 each in issue ('000) ⁽¹⁾	N/A	N/A	N/A	N/A
Gross EPS (sen) ⁽¹⁾	N/A	N/A	N/A	N/A
Net EPS (sen) ⁽¹⁾	N/A	N/A	N/A	N/A

N/A - Not applicable

Note:-

- (1) *PBA does not have a share capital by virtue of it being a Statutory Body. Consequently, no gross and net earnings per share have been computed.*

11. FINANCIAL INFORMATION *(Cont'd)*

11.2 Working Capital, Borrowings, Capital Commitments, Contingent Liabilities and Material Litigation

(a) Working Capital

The Board of Directors is of opinion that, after taking into account the consolidated cash flow forecast, the PBAHB Group would have adequate working capital for its foreseeable future requirements.

(b) Borrowings

Save for term loans amounting to RM182,569,630, the PBAHB Group does not have any other loan capital outstanding and loan capital created but unissued, mortgages or charges outstanding or other borrowings as at 9 February 2002.

(c) Capital Commitments and Contingent Liabilities

Save for the capital commitments contracted but not provided for amounting to approximately RM60,000,000 and capital commitments approved but not contracted for amounting to approximately RM282,000,000, the PBAHB Group does not have any contingent liabilities or capital commitments as at 9 February 2002.

(d) Material Litigation

Neither the Company nor its subsidiary is engaged in any litigation, either as plaintiff or defendant, which has a material effect on financial position of the PBAHB Group, and the Directors are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the position or business of the PBAHB Group.

11. FINANCIAL INFORMATION (Cont'd)

11.3 Consolidated Profit Estimate and Forecast together with Bases and Assumptions

The Directors of PBAHB Group estimate and forecast that, in the absence of unforeseen circumstances, the Group results for the financial years ended/ending 31 December 2001 and 2002 are as follows:-

Financial year ended/ending 31 December	Estimate 2001 RM'000	Forecast 2002 RM'000
Turnover	116,854	145,139
Consolidated PBT	60,427	59,629
Less: Taxation	5,151	9,429
Consolidated PAT	55,276	50,200
Less: Pre-acquisition profit	14,356	-
Consolidated PAT and after pre-acquisition profit	40,920	50,200
Gross EPS (sen)#	18.26	18.01
Net EPS (sen)#	12.36	15.17
Gross PE Multiple (times) based on issue price of RM1.30 per Share	7.12	7.22
Net PE Multiple (times) based on issue price of RM1.30 per Share	10.52	8.57

Note:-

Based on the enlarged issued and paid-up share capital of 331,000,001 ordinary shares of RM0.50 each after the Public Issue

11. FINANCIAL INFORMATION (*Cont'd*)

The principal bases and assumptions upon which the Group's profit estimate and forecast have been made are set out below:-

- (a) Consumers' consumption of water is expected to increase by 3.5% per year in the forecast year.
- (b) There will be no material changes in the principal activities and present corporate structure of the Group.
- (c) There will be no major industrial disputes or major breakdown in operation facilities, economic and political changes or any other abnormal factors or changes which will adversely affect the operations or sales of the Group at the forecasted levels.
- (d) There will be no material changes in the present legislation or government regulations and guidelines of regulatory bodies affecting the Group or the market in which they operate.
- (e) The rates and bases of taxation applicable to the Group will not deviate substantially from the present levels. The Group will continue to enjoy the existing tax incentive available to them.
- (f) Financing facilities will be available to the Group and at the prevailing interest rates of 0% to 8% per annum.
- (g) The inflation rate and exchange rate of foreign currencies will not vary significantly from the present levels.
- (h) There will be no material changes in the current consumption and in the prevailing market condition in Malaysia and in the markets in which the Group operates which will adversely affect the performance of the Group.
- (i) There will be no significant changes in the management structure, accounting and business policies currently adopted by the Group.
- (j) Major capital expenditure programme will take place as planned.
- (k) Surplus funds placed with financial institutions will earn interest at the rate of 3.5% per annum.
- (l) The Company is assumed to enjoy special tariff rates granted by Tenaga Nasional Berhad.

11. FINANCIAL INFORMATION (Cont'd)

11.4 Reporting Accountants' Letter on Consolidated Profit Estimate and Forecast (Prepared for inclusion in this Prospectus)

 **ERNST & YOUNG**
(Firm No: AF: 0039)

■ Chartered Accountants
37, Jalan Anson,
10400 Penang, Malaysia.

■ Phone: (04) 2261878
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www.ey.com

Mail Address:
P.O. Box 148,
10710 Penang, Malaysia.

14 February 2002

The Board of Directors
PBA Holdings Bhd
Paras 32, KOMTAR
10000 Penang

Dear Sirs,


**LETTER FROM THE REPORTING ACCOUNTANTS IN RELATION TO THE
CONSOLIDATED PROFIT ESTIMATE AND FORECAST OF PBA HOLDINGS BHD
("PBAHB") FOR THE FINANCIAL YEARS ENDED/ENDING 31 DECEMBER 2001 AND 2002
RESPECTIVELY.**

We have reviewed the accounting policies and calculations for the consolidated profit estimate and forecast after taxation for the financial years ended/ending 31 December 2001 and 2002 of PBAHB and its subsidiary company ("the Group"), for which the Directors are solely responsible, as set out in the Prospectus to be dated 22 February 2002 in connection with the public issue and offer for sale of 51,000,000 and 97,950,000 ordinary shares of RM0.50 each respectively in PBAHB at an issue/offer price of RM1.30 per ordinary share and the listing of and quotation for its entire enlarged issued and fully paid-up ordinary share capital of PBAHB on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate and forecast, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors as set out in the Prospectus and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully,


ERNST & YOUNG AF : 0039
Public Accountants


OO BOON BENG 1939/12/02 (J)
Partner

11. FINANCIAL INFORMATION *(Cont'd)*

11.5 Directors' Analysis on the Consolidated Profit Estimate and Forecast

(i) Financial year ended 31 December 2001

The Group expects turnover growth of 30.77% in 2001, up from RM105.215 million in 2000 to RM137.590 million (inclusive of the turnover relating to the pre-acquisition period of RM20.736 million). This growth is mainly driven by the revision of the water tariff rates by the State Government effective 1 January 2001. Coupled with the expected increase in water consumption in the State by approximately 3.50% per annum from 2001 to 2004, the Group estimates that the PAT (before pre-acquisition profit) of the Group will increase by 40.48% to RM55.276 million as compared to RM39.347 million in 2000.

(ii) Financial year ending 31 December 2002

In 2002, the Group forecasts turnover growth of 5.49% to RM145.139 million, an increase of RM7.549 million from RM137.590 million in 2001 due to the expected increase in water consumption in the State by an average of 3.50% per annum.

The Company expects to receive RM62.3 million from the sale of the Public Issue Shares which will be utilised by PBAPP for its planned capital expenditure for 2002. With the increase in completed capital projects in 2002, the Group forecasts higher deferred taxation, hence a decrease of 9.18% in PAT (before pre-acquisition profit) from RM55.276 million in 2001 to RM50.200 million in 2002.

The Directors of PBAHB Group have reviewed the bases and assumptions used in arriving at the profit estimate and forecast of PBAHB Group for the financial years ended/ending 31 December 2001 and 31 December 2002 respectively, and are of the view that the profit estimate and forecast are true and fair in light of the future prospects of PBAHB Group, its future plans and strategies as well as the Group's level of gearing, liquidity and working capital.

11. FINANCIAL INFORMATION (Cont'd)

11.6 Dividend Forecast

It is the policy of the Board of Directors of PBAHB in recommending dividends to allow shareholders to participate in the profits of the Company as well as leaving adequate reserves for the future growth of the PBAHB Group.

Based on the estimated consolidated PAT (before pre-acquisition profit) of RM55.276 million for the financial year ended 31 December 2001, the Company has declared a tax exempt dividend of 0.25 sen per Share based on the issued and paid-up ordinary share capital of 280,000,001 ordinary shares of RM0.50 each.

For the forecast consolidated PAT of RM50.200 million for the financial year ending 31 December 2002, and on the assumption that the present basis for calculating taxation and the rates of taxation will remain unchanged and in the absence of unforeseen circumstances, the Board of Directors of PBAHB will propose a final gross dividend of 2.50 sen per Share based on the enlarged issued and paid-up share capital of 331,000,001 ordinary shares of RM0.50 each.

The intended appropriation of the consolidated profit forecast for the financial year ending 31 December 2002 will be as follows:-

Financial year ending 31 December	Forecast 2002 RM'000
Consolidated PBT	59,629
Less: Taxation	9,429
	<hr/>
Consolidated PAT	50,200
Less: Proposed final dividend*	5,958
	<hr/>
Consolidated retained profits	<u>44,242</u>

11. FINANCIAL INFORMATION (Cont'd)

Financial year ending 31 December	Forecast 2002
Gross dividend per Share (sen)	2.50
Gross dividend yield (%) <i>(based on the issue price of RM1.30 per Share)</i>	1.92
Net dividend yield (%) <i>(based on the issue price of RM1.30 per Share)</i>	1.38
Net dividend cover (times)#	8.43

Notes:-

- * *The proposed final dividend is assumed at 5% less tax at 28% based on the enlarged issued and paid-up share capital of 331,000,001 ordinary shares of RM0.50 each for the financial year ending 31 December 2002 and will be paid in the following financial year.*
- # *Based on the enlarged issued and paid-up share capital of 331,000,001 ordinary shares of RM0.50 each after the Public Issue.*

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11. FINANCIAL INFORMATION (Cont'd)

11.7 Proforma Consolidated Balance Sheets of PBAHB as at 30 September 2001 together with Notes and Assumptions

The Proforma Consolidated Balance Sheets set out below have been prepared on a cumulative basis and are provided for illustrative purposes only to show the effects on the audited consolidated balance sheet of PBAHB as at 30 September 2001 assuming the Public Issue of 51,000,000 ordinary shares of RM0.50 each in PBAHB was effected on that date.

	As at 30 September 2001 RM'000	After Public Issue RM'000	After Public Issue and Listing Expenses RM'000
PROPERTY, PLANT & EQUIPMENT INVESTMENTS	330,872 24,092	330,872 24,092	330,872 24,092
CURRENT ASSETS			
Inventories	11,646	11,646	11,646
Trade receivables	16,224	16,224	16,224
Other receivables	35,485	35,485	35,485
Tax recoverable	531	531	531
Fixed deposits	194,000	260,300	256,300
Cash and bank balances	10,430	10,430	10,430
	268,316	334,616	330,616
CURRENT LIABILITIES			
Trade payables	9,474	9,474	9,474
Other payables	72,075	72,075	72,075
Term loans (unsecured)	10,215	10,215	10,215
	91,764	91,764	91,764
NET CURRENT ASSETS	176,552	242,852	238,852
	531,516	597,816	593,816

11. FINANCIAL INFORMATION (Cont'd)

	As at 30 September 2001 RM'000	After Public Issue RM'000	After Public Issue and Listing Expenses RM'000
FINANCED BY-			
SHARE CAPITAL	140,000	165,500	165,500
SHARE PREMIUM	125,825	166,625	162,625
RETAINED PROFIT	26,991	26,991	26,991
CAPITAL RESERVE ON CONSOLIDATION	53,780	53,780	53,780
SHAREHOLDERS' EQUITY	346,596	412,896	408,896
DEFERRED LIABILITIES			
Term loans	179,599	179,599	179,599
Deferred taxation	3,600	3,600	3,600
Provision for retirement benefits	1,721	1,721	1,721
	184,920	184,920	184,920
	531,516	597,816	593,816
Net tangible assets per share (RM)	1.24	1.25	1.24

The Proforma Consolidated Balance Sheets prepared for illustrative purposes only, have been prepared based on the audited balance sheet of PBAHB as at 30 September 2001 and on accounting principles and bases consistent with those previously adopted in the preparation of the financial statements, with the assumption that the following have been effected on that date:-

- (i) The Public Issue of 51,000,000 ordinary shares of RM0.50 each at an issue price of RM1.30 per ordinary share by PBAHB to PBAPP's registered domestic water consumers, the Malaysian public and Malaysian institutional investors.

11. FINANCIAL INFORMATION (Cont'd)

- (ii) The offer for sale of 97,950,000 ordinary shares of RM0.50 each at an offer price of RM1.30 per ordinary share by SSI to Malaysian institutional investors and the Group's eligible employees and retirees.
- (iii) The total estimated listing expenses is RM4,603,000 and will be borne by the following parties:-

	RM'000
Company	4,000
"Offeror" of Shares	603
	<hr/>
	4,603
	<hr/> <hr/>

The portion of the listing expenses borne by the Company will be written off against the share premium account.

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11. FINANCIAL INFORMATION (Cont'd)

11.8 Reporting Accountants' Letter on the Proforma Consolidated Balance Sheets (Prepared for inclusion in this Prospectus)



■ Chartered Accountants
37, Jalan Anson,
10400 Penang, Malaysia.

■ Phone: (04) 2261878
Fax: (04) 2271812
www.ey.com

Mail Address:
P.O. Box 148,
10710 Penang, Malaysia.

14 February 2002

The Board of Directors
PBA Holdings Bhd
Paras 32, KOMTAR
10000 Pulau Pinang

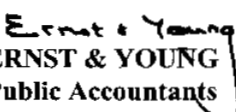
Dear Sirs,


PBA HOLDINGS BHD PROFORMA CONSOLIDATED BALANCE SHEETS

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of PBA Holdings Bhd ("PBAHB") and its subsidiary company (Group) as at 30 September 2001, together with the notes thereon, for which the Directors of PBAHB are solely responsible, as set out in the Prospectus to be dated 22 February 2002 in connection with the public issue and offer for sale of 51,000,000 and 97,950,000 ordinary shares of RM0.50 each respectively in PBAHB at an issue/offer price of RM1.30 per ordinary share and the listing of and quotation for its entire enlarged issued and fully paid-up ordinary share capital of PBAHB on the Main Board of the Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets together with the notes thereon, which are provided for illustrative purposes only have been properly compiled on the basis consistent with the accounting policies normally adopted by the Group and are presented in the form suitable for inclusion in the Prospectus.

Yours faithfully,


ERNST & YOUNG AF : 0039
Public Accountants


OO BOON BENG 939/12/02 (J)
Partner

11. FINANCIAL INFORMATION (Cont'd)

11.9 Sensitivity Analysis

Effects on the Estimate and Forecast PAT

Sensitivity analysis illustrating the effects on the estimate and forecast PAT of the PBAHB Group arising from variations in the levels of pertinent income and expenditure individually, are as follows:

(a) Changes in Consumption (Volume)

% Change	2001		2002	
	RM'000	% Change	RM'000	% Change
Up 15%	53,539	31	65,874	31
Up 10%	49,332	21	60,649	21
Up 5%	45,126	10	55,424	10
Estimate/Forecast	40,920	-	50,200	-
Down 5%	36,712	(10)	44,974	(10)
Down 10%	32,506	(21)	39,749	(21)
Down 15%	28,299	(31)	34,524	(31)

(b) Changes in Emoluments

% Change	2001		2002	
	RM'000	% Change	RM'000	% Change
Up 15%	38,232	(7)	46,541	(7)
Up 10%	39,128	(4)	47,760	(5)
Up 5%	40,024	(2)	48,979	(2)
Estimate/Forecast	40,920	-	50,200	-
Down 5%	41,814	2	51,419	2
Down 10%	42,710	4	52,638	5
Down 15%	43,606	7	53,857	7

11. FINANCIAL INFORMATION (Cont'd)

(c) Changes in Energy

% Change	2001		2002	
	RM'000	% Change	RM'000	% Change
Up 15%	38,731	(5)	47,823	(5)
Up 10%	39,460	(4)	48,615	(3)
Up 5%	40,190	(2)	49,407	(2)
Estimate/Forecast	40,920	-	50,200	-
Down 5%	41,648	2	50,991	2
Down 10%	42,378	4	51,783	3
Down 15%	43,107	5	52,575	5

(d) Changes in Chemical

% Change	2001		2002	
	RM'000	% Change	RM'000	% Change
Up 15%	40,575	(0.8)	49,826	(0.7)
Up 10%	40,690	(0.6)	49,951	(0.5)
Up 5%	40,805	(0.3)	50,074	(0.3)
Estimate/Forecast	40,920	-	50,200	-
Down 5%	41,033	0.3	50,324	0.3
Down 10%	41,149	0.6	50,447	0.5
Down 15%	41,263	0.8	50,572	0.7

Based on the above sensitivity analysis, the PAT of PBAHB Group is highly sensitive to changes in water consumption level in terms of volume, emoluments and energy cost, and fairly inelastic to changes in chemical cost.

The changes in water consumption level in terms of volume, energy cost and chemical cost are beyond PBAHB Group's control.

However, given that PBAHB Group operates in a monopoly environment, it is assured of certain consumption level. In addition, as production cost is correlated to water consumption level, the overall impact of changes in consumption level on PBAHB Group's PAT will be minimal.

11. FINANCIAL INFORMATION *(Cont'd)*

Historically, the electricity and petrol/diesel prices have not increased significantly, as these are price-controlled items.

As the emolument cost is within the PBAHB Group's control, the impact on PAT is manageable.

Given that the PBAHB Group operates in a monopoly environment with a high level of consumption, it is able to secure competitive chemical prices and constant supply in the long run.

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