

PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 30 September 2003

| | 30 September 2003 RM '000 | 31 December 2002 RM '000 |
|---|--|---|
| PROPERTY, PLANT AND EQUIPMENT | 437,404 | 405,099 |
| INVESTMENTS IN ASSOCIATE COMPANY | 121 | - |
| INVESTMENTS | 28,137 | 24,851 |
| CURRENT ASSETS | | |
| Inventories | 10,663 | 11,914 |
| Trade receivables | 18,328 | 18,431 |
| Other receivables | 14,030 | 21,329 |
| Fixed deposits | 248,500 | 242,500 |
| Cash and bank balances | 3,645 | 5,597 |
| | 295,166 | 299,771 |
| CURRENT LIABILITIES | | |
| Trade payables | 1,687 | 3,656 |
| Other payables | 79,320 | 64,451 |
| Term loans (unsecured) | 14,740 | 14,622 |
| Provision for taxation | 669 | 3,847 |
| | 96,416 | 86,576 |
| NET CURRENT ASSETS | 198,750 | 213,195 |
| | 664,412 | 643,145 |
| FINANCED BY - | | |
| SHARE CAPITAL | 165,500 | 165,500 |
| RESERVES | | |
| Retained Profits | 109,550 | 85,597 |
| Share Premium | 161,757 | 161,637 |
| Reserve on Consolidation | 53,780 | 53,780 |
| | 325,087 | 301,014 |
| SHAREHOLDERS' EQUITY | 490,587 | 466,514 |
| DEFERRED LIABILITIES | | |
| Term loans - unsecured | 152,045 | 159,344 |
| Deferred taxation | 15,000 | 11,709 |
| Provision for retirement benefits | 6,780 | 5,578 |
| | 664,412 | 643,145 |

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Condensed Consolidated Income Statements
For the periods ended 30 September 2003

| | 3 months ended 30 September 2003 RM'000 | 3 months ended 30 September 2002 RM'000 | 9 months ended 30 September 2003 RM'000 | 9 months ended 30 September 2002 RM'000 |
|-------------------------------|--|--|--|--|
| Revenue | 37,555 | 37,472 | 111,331 | 113,810 |
| Cost of Sales | 22,160 | 21,983 | 66,608 | 63,231 |
| Gross Profit | 15,395 | 15,489 | 44,723 | 50,579 |
| Other operating income | | | | |
| - Interest Income | 1,325 | 1,429 | 4,356 | 4,996 |
| - Others | 3,955 | 996 | 7,841 | 8,660 |
| Administrative expenses | (5,664) | (4,527) | (15,115) | (13,264) |
| Profit from operations | 15,011 | 13,387 | 41,805 | 50,971 |
| Finance Cost | | | | |
| -Interest Expense | (933) | (1,078) | (2,779) | (3,215) |
| Profit before taxation | 14,078 | 12,309 | 39,026 | 47,756 |
| Taxation | (3,544) | 623 | (6,798) | (6,866) |
| Profit after taxation | 10,534 | 12,932 | 32,228 | 40,890 |
| Earnings per share (sen) | | | | |
| - Basic | 3.18 | 4.16 | 9.74 | 13.15 |
| - Diluted | N/A | N/A | N/A | N/A |
| Dividend per share (sen) | | | | |
| - Interim tax exempt dividend | - | - | - | - |

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 2003

| | Share capital RM 000 | Distributable Retained profits RM 000 | ← Non Distributable → | | Total RM 000 |
|--------------------------------------|----------------------------|--|----------------------------|---------------------------------------|-----------------|
| | | | Share Premium RM 000 | Reserve on Consolidation RM 000 | |
| At 1 January 2003 | 165,500 | 86,136 | 161,637 | 53,780 | 467,053 |
| Prior year adjustments | - | (539) | - | - | (539) |
| As restated | 165,500 | 85,597 | 161,637 | 53,780 | 466,514 |
| Listing Expenses | - | - | 120 | - | 120 |
| Profit after taxation for the period | - | 32,228 | - | - | 32,228 |
| Final tax exempt dividend | - | (8,275) | - | - | (8,275) |
| At 30 September 2003 | <u>165,500</u> | <u>109,550</u> | <u>161,757</u> | <u>53,780</u> | <u>490,587</u> |
| At 1 January 2002 | 140,000 | 40,809 | 125,826 | 53,780 | 360,415 |
| Issuance of Shares | 25,500 | - | 35,812 | - | 61,312 |
| Profit after taxation for the period | - | 40,890 | - | - | 40,890 |
| At 30 September 2002 | <u>165,500</u> | <u>81,699</u> | <u>161,638</u> | <u>53,780</u> | <u>462,617</u> |

The share capital includes 1 Special Rights Redeemable Preference Share (Special Share) of RM0.50 each

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Condensed Consolidated Cash Flow Statement
For the period ended 30 September 2003

| | 30 September 2003 RM '000 | 30 September 2002 RM '000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 39,026 | 47,756 |
| Adjustments for - | | |
| Depreciation | 14,543 | 13,824 |
| Interest expense | 2,776 | 3,207 |
| Interest income | (5,535) | (6,218) |
| Provision for retirement benefits | 1,509 | 1,475 |
| Other miscellaneous | (3,105) | (1,117) |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 49,214 | 58,927 |
| Net change in current assets | 8,654 | 4,197 |
| Net change in current liabilities | 12,725 | (3,736) |
| | <hr/> | <hr/> |
| Cash generated from operations | 70,593 | 59,388 |
| Interest paid | (2,776) | (3,207) |
| Retirement benefits paid | (307) | (64) |
| Tax paid | (6,686) | (2,421) |
| | <hr/> | <hr/> |
| Net cash from operating activities | 60,824 | 53,696 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received (gross) | 590 | 410 |
| Interest received | 5,535 | 6,218 |
| Proceeds from disposal of investments | 10,177 | 6,423 |
| Proceeds from disposal of property, plant and equipment | - | 50 |
| Purchase of investments | (10,894) | (6,886) |
| Net purchase of property, plant and equipment | (46,847) | (46,680) |
| | <hr/> | <hr/> |
| Net cash from investing activities | (41,439) | (40,465) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | - | 61,312 |
| Listing Expenses | 120 | - |
| Term loans net payment | (7,181) | 12,687 |
| Dividend Paid | (8,275) | - |
| | <hr/> | <hr/> |
| Net cash from financing activities | (15,336) | 73,999 |
| Net Increase in cash and cash equivalents | 4,049 | 87,230 |
| Cash and cash equivalents at 1 January | 248,096 | 188,831 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 September | <u>252,145</u> | <u>276,061</u> |
| Cash and cash equivalents at 30 September | | |
| Fixed deposits | 248,500 | 270,500 |
| Cash and bank balances | 3,645 | 5,561 |
| | <hr/> | <hr/> |
| | <u>252,145</u> | <u>276,061</u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Notes to the Interim Financial Report

PART A – Notes Pursuant to MASB 26

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirement of Kuala Lumpur Stock Exchange.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2002 except as below:

(a) Prior Year Adjustment

This comprises the provision for unutilised annual leave in respect of prior year resulting from the adoption of MASB Standard 29 – Employees Benefits which became effective from 1 January 2003. Previously the Group and the Company did not provide for unutilised annual leave.

The compliance with MASB Standard 29 has been applied retrospectively to prior year corresponding third quarter and comparative has been restated. The effect of the compliance with MASB Standard 29 is as follows:

Effects on retained profits

| | 2003 RM'000 | 2002 RM'000 |
|------------------------------------|----------------|----------------|
| At 1 January, as previously stated | 86,136 | 40,809 |
| Effects of adopting MASB 29 | (539) | - |
| At 1 January, as restated | 85,597 | 40,809 |

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Effects on net profit for the period

| | Current quarter Ended | | Current year-to-date Ended | |
|---|------------------------|------------------------|----------------------------|------------------------|
| | 30 Sept 2003 RM'000 | 30 Sept 2002 RM'000 | 30 Sept 2003 RM'000 | 30 Sept 2002 RM'000 |
| Net profit before change in accounting policy | 10,710 | 13,471 | 32,404 | 41,429 |
| Effects of adopting MASB 29 | (176) | (539) | (176) | (539) |
| Net profit for the period | 10,534 | 12,932 | 32,228 | 40,890 |

Comparative amount as at 31 December 2002 has been restated as follows:

| | Previously Stated RM'000 | Adjustments RM'000 | Restated RM'000 |
|--|-----------------------------|-----------------------|--------------------|
| Provision for unutilised annual leave (included under other payables) | - | 539 | 539 |

A2. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2002 was not subject to any qualification.

A3. Comments about seasonal or cyclical factors

There is no seasonality or cyclicity on the Group's operations.

A4. Unusual items due to their nature, size or incidence

There is no unusual item in the current quarter and financial year to-date ended 30 September 2003.

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A5. Changes in estimates

There is no change in the estimates of amount which give a material effect for the current quarter.

A6. Debt and equity securities

There is no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and current financial year to-date ended 30 September 2003.

A7. Dividends paid

A final tax exempt dividend of 5% amounting to RM8,275,000 for the financial year ended 31 December 2002 as reported in the directors' report of that year was paid on 18 July 2003.

A8. Segmental information

Currently, there is only one business segment in the PBA Holdings Bhd's Group operating within the State of Penang to undertake the business of a water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers.

A9. Carrying amount of revalued assets

The property, plant and equipment have not been revalued and are stated at cost less accumulated depreciation since the previous financial year-end.

A10. Subsequent events

There is no material event subsequent to the balance sheet date up to the date of the issue of this report.

A11. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter ended 30 September 2003. However in the preceding quarter, the Company subscribed 26% equity interest in Pinang Water Limited (PWL), a company incorporated under the Offshore Companies Act 1990 on and from 25 June 2003. PWL is a joint venture company established in Wilayah Persekutuan, Labuan by YLI Holdings Bhd (YLI), KWI Far East Sdn Bhd (KWI) and PBA Holdings Berhad. YLI and KWI each hold 37% equity interest.

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The authorised share capital of PWL is USD13,000 comprising 13,000 ordinary shares of USD1.00 each, of which the issued and paid up share capital is USD100 divided into 100 ordinary shares of USD1.00 each.

The associated company has yet to commence operations during the current quarter under review.

A12. Changes in contingent liabilities and contingent assets

There is no material contingent liability or contingent asset since the last financial statements for the year ended 31 December 2002.

A13. Capital Commitments

| | 30 September 2003 RM000 | 31 December 2002 RM000 |
|---|----------------------------|---------------------------|
| Contracted but not provided for in the accounts | 104,000 | 118,000 |
| Approved budget but not contracted for | 121,000 | 154,000 |
| | ===== | ===== |

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Notes to the Interim Financial Report

PART B – Notes pursuant to Appendix 9B of the Listing Requirements of KLSE

B1. Performance Review

The Group's revenue for the current quarter and current financial year to-date was RM37.6 million and RM111.3 million respectively as compared to the preceding year corresponding period of RM37.5 million and RM113.8 million. The reduction of RM2.5 million or 2.2% in the year to-date figure was mainly attributed to the lower water consumptions in the first quarter of 2003 resulting from the outbreak of SARS and the general weakening in the trade and tourism industry of Penang.

Profit before taxation for the current quarter of RM14.1 million was better than the preceding year corresponding period of RM12.3 million. However, the year to-date profit before taxation of RM39.0 million was lower than the preceding year corresponding period by RM8.8 million or 18.2% because of the lower revenue but increased in emoluments and related benefits for the nine months period ended 30 September 2003.

B2. Comment on material change in profit before taxation

The Group recorded profit before taxation of RM14.1 million during the quarter under review as compared to RM11.7 million in the preceding quarter. The improvement is largely due to more investment income, and increases in capital contributions coupled with lower maintenance costs for the quarter under review.

B3. Commentary on the prospects

The performance of the Group for the period ended 30 September 2003 was slightly below expectation due to the temporary slowdown in the economy of Penang. Nevertheless the Directors are of the view that the results of the Group will improve marginally for the remaining period to the end of the financial year as the trade and tourism industry in Penang has already shown signs of recovery in the second half of 2003.

B4. Profit forecast or profit guarantee

Not applicable.

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B5. Taxation

The Group's tax provision includes the following:

| | Current quarter ended 30 September 2003 RM'000 | Current year-to-date ended 30 September 2003 RM'000 |
|---------------------------------------|---|--|
| Current year's tax | 953 | 3,507 |
| Transfer to deferred taxation account | 2,591 | 3,291 |
| | 3,544 | 6,798 |

The disproportionate tax charge of the Group is due to reinvestment allowance claimed by the subsidiary company.

The effective tax rate for the current quarter and financial year to-date ended 30 September 2003 is 25.2% and 17.4% respectively.

B6. Sale of unquoted investments and properties

There is no sale of unquoted investments and/or properties for the current quarter and current financial year to-date.

B7. Quoted securities

(a) The total purchase consideration and sale proceeds of investments for the current quarter and current financial year to-date and gain/loss arising there from are as follows:

| | Current quarter ended 30 September 2003 RM'000 | Current year-to-date ended 30 September 2003 RM'000 |
|--|---|--|
| Balance at 1-6-2003/1-1-2003 | 26,558 | 25,918 |
| Add : Purchase of investments | 7,186 | 10,772 |
| Less : Proceeds from disposal of investments | (7,021) | (10,177) |
| Add : Gain on disposal of investments | 1,414 | 1,624 |
| Balance at 30-09-2003 | 28,137 | 28,137 |

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- (b) These investments are managed by external fund management companies in accordance with the terms of the Investment Management Mandate.

As at 30 September 2003 and 31 December 2002, the funds were invested as follows:

| | 30 September 2003 RM'000 | 31 December 2002 RM'000 |
|---|-----------------------------|----------------------------|
| Shares quoted in Malaysia, at cost | 21,709 | 20,919 |
| Fixed interest securities, at cost | 57 | 1,111 |
| Fixed deposits with licensed banks | 3,225 | 1,679 |
| Fixed deposits with other corporations | 1,731 | 1,059 |
| Money market placement | 1,415 | 1,150 |
| | 28,137 | 25,918 |
| Provision for diminution in value of investment | - | (1,067) |
| | 28,137 | 24,851 |

| | | |
|-------------------------------|--------|--------|
| Market value of quoted shares | 23,342 | 19,852 |
| | ===== | ===== |

B8. Corporate proposals

There is no corporate proposal announced for the current quarter and current financial year-to-date.

B9. Borrowings and debt securities

| | 30 September 2003 RM'000 | 31 December 2002 RM'000 |
|--------------------------------------|-----------------------------|----------------------------|
| Short Term Borrowings-Local Currency | 14,740 | 14,622 |
| Long Term Borrowings-Local Currency | 152,045 | 159,344 |
| | 166,785 | 173,966 |

The unsecured term loans were obtained from the Federal Government through the State Government of Penang to finance major water projects.

The term loans bear interest rates of 0% to 8% per annum and are repayable over a period of 6 to 20 years by yearly instalments ranging between RM10,295 and RM6,990,043 per annum.

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B10. Off balance sheet financial instruments

During the financial year to-date, the Group did not enter into any contracts involving off balance sheet financial instruments.

B11. Changes in material litigation

There is no pending material litigation as at the date of the issue of this report.

B12. Dividend payable

The Board of Directors has declared an interim tax exempt dividend of 5% in respect of the financial year ending 31 December 2003.

B13. Earnings per share (sen)

The calculation of basic earnings per share for the quarter is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding as follows:

| | Current quarter ended 30 September 2003 | Current year-to-date ended 30 September 2003 |
|--|---|--|
| Group's profit after taxation attributable to ordinary shareholders : (RM'000) | 10,534 | 32,228 |
| Weighted average number of ordinary share in issue :('000) | 331,000 | 331,000 |

The calculation of diluted earnings per share is not applicable to the Company as there is no potential dilutive ordinary shares.