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**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

**Condensed Consolidated Balance Sheet**  
**At 30 September 2004**

	<b>30 September 2004</b> <b>RM '000</b>	<b>31 December 2003</b> <b>RM '000</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	500,784	469,986
<b>INVESTMENTS IN ASSOCIATE COMPANY</b>	*	*
<b>INVESTMENTS</b>	30,027	28,868
<b>CURRENT ASSETS</b>		
Inventories	11,966	11,184
Trade receivables	17,823	19,557
Other receivables	17,050	12,284
Fixed deposits	204,000	220,500
Cash and bank balances	5,543	2,123
	256,382	265,648
<b>CURRENT LIABILITIES</b>		
Trade payables	1,461	2,198
Other payables	90,324	86,384
Term loans (unsecured)	14,955	15,234
Provision for taxation	252	235
Retirement benefit obligations	-	197
	106,992	104,248
<b>NET CURRENT ASSETS</b>	149,390	161,400
	680,201	660,254
<b>FINANCED BY -</b>		
<b>SHARE CAPITAL</b>	165,500	165,500
<b>RESERVES</b>		
Retained Profits	128,939	110,217
Share Premium	161,757	161,757
Reserve on Consolidation	53,780	53,780
	344,476	325,754
<b>SHAREHOLDERS' EQUITY</b>	509,976	491,254
<b>DEFERRED LIABILITIES</b>		
Term loans - unsecured	137,089	144,111
Deferred taxation	22,400	18,000
Provision for retirement benefits	10,736	6,889
	680,201	660,254

\* RM99.00

**The condensed consolidated balance sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.**

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**Condensed Consolidated Income Statements**  
**For the periods ended 30 September 2004**

	<b>3 months ended 30 September 2004 RM'000</b>	<b>3 months ended 30 September 2003 RM'000</b>	<b>9 months ended 30 September 2004 RM'000</b>	<b>9 months ended 30 September 2003 RM'000</b>
<b>Revenue</b>	40,768	37,555	113,880	111,331
<b>Cost of Sales</b>	23,365	22,160	71,593	66,608
Gross Profit	17,403	15,395	42,287	44,723
Other operating income				
- Interest Income	1,123	1,325	5,086	4,356
- Others	2,408	3,955	7,926	7,841
Administrative expenses	(5,406)	(5,664)	(18,095)	(15,115)
Profit from operations	15,528	15,011	37,204	41,805
Finance Cost				
-Interest Expense	(777)	(933)	(2,326)	(2,779)
Profit before taxation	14,751	14,078	34,878	39,026
Taxation	(2,801)	(3,544)	(7,881)	(6,798)
Profit after taxation	11,950	10,534	26,997	32,228
Earnings per share (sen)				
- Basic	3.61	3.18	8.16	9.74
- Diluted	N/A	N/A	N/A	N/A
Dividend per share (sen)				
- Final tax exempt dividend	2.50	2.50	2.50	2.50

**The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.**

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**Condensed Consolidated Statement of Changes in Equity**  
**For the period ended 30 September 2004**

	Share capital RM 000	Distributable Retained profits RM 000	← Non Distributable → Share Premium RM 000	Reserve on Consolidation RM 000	Total RM 000
At 1 January 2004	165,500	110,217	161,757	53,780	491,254
Profit after taxation for the year	-	26,997	-	-	26,997
Final tax exempt dividend	-	(8,275)	-	-	(8,275)
At 30 September 2004	<u>165,500</u>	<u>128,940</u>	<u>161,757</u>	<u>53,780</u>	<u>509,976</u>
At 1 January 2003	165,500	86,136	161,637	53,780	467,053
Listing Expenses	-	-	120	-	120
Profit after taxation for the year	-	32,228	-	-	32,228
Final tax exempt dividend	-	(8,275)	-	-	(8,275)
At 30 September 2003	<u>165,500</u>	<u>110,089</u>	<u>161,757</u>	<u>53,780</u>	<u>491,126</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 2003.**

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**Condensed Consolidated Cash Flow Statement**  
**For the period ended 30 September 2004**

	<b>30 September 2004</b> <b>RM '000</b>	<b>30 September 2003</b> <b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	34,878	39,026
Adjustments for -		
Depreciation	14,632	14,543
Interest expense	2,321	2,776
Interest income	(5,451)	(5,535)
Provision for retirement benefits	4,020	1,509
Other miscellaneous	(1,151)	(3,105)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	49,249	49,214
Net change in current assets	(3,813)	8,654
Net change in current liabilities	3,202	12,725
	<hr/>	<hr/>
<b>Cash generated from operations</b>	48,638	70,593
Interest paid	(2,321)	(2,776)
Retirement benefits paid	(370)	(307)
Tax paid	(3,464)	(6,686)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	42,483	60,824
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (gross)	517	590
Interest received	5,451	5,535
Proceeds from disposal of investments	18,679	10,177
Purchase of investments	(19,189)	(10,894)
Net purchase of property, plant and equipment	(45,446)	(46,847)
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	(39,988)	(41,439)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Listing Expenses	-	120
Term loans net payment	(7,300)	(7,181)
Dividend paid	(8,275)	(8,275)
	<hr/>	<hr/>
<b>Net cash from financing activities</b>	(15,575)	(15,336)
<b>Net Increase in cash and cash equivalents</b>	(13,080)	4,049
<b>Cash and cash equivalents at 1 January</b>	222,623	248,096
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September</b>	<u>209,543</u>	<u>252,145</u>
<b>Cash and cash equivalents at 30 September</b>		
Fixed deposits	204,000	248,500
Cash and bank balances	5,543	3,645
	<hr/>	<hr/>
	<u>209,543</u>	<u>252,145</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 2003.

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## Notes to the Interim Financial Report

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### **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 Bursa Malaysia Securities Berhad (BMSB).

**The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.**

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 2003.

#### **A2. Auditors' report on preceding annual financial statements**

The audit report of the audited financial statements for the year ended 31 December 2003 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 2004.

#### **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 2004.

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## Notes to the Interim Financial Report

### A7. Dividends paid

	Amount		Net dividends per share	
	30 September 2004 RM'000	31 December 2003 RM'000	30 September 2004 Sen	31 December 2003 Sen
Final tax exempt dividend in respect of financial year ended 31 December 2003 of 5% paid on 27 July 2004	8,275	-	2.50	-
Final tax exempt dividend in respect of financial year ended 31 December 2002 of 5% paid on 18 July 2003	-	8,275	-	2.50
Interim tax exempt dividend in respect of financial year ended 31 December 2003 of 5% paid on 24 December 2003	-	8,275	-	2.50
	8,275	16,550	2.50	5.00

A final tax-exempt dividend of 5% amounting to RM8, 275,000 for the financial year ended 31 December 2003 as reported in the director's report of that year was paid on 27 July 2004.

### 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.

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**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 and financial year to-date ended 30 September 2004.

**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 2003.

**A13. Capital Commitments**

	30 September 2004 RM000	31 December 2003 RM000
Contracted but not provided for in the accounts	94,000	100,000
Approved budget but not contracted for	47,000	87,000
	=====	=====



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## Notes to the Interim Financial Report

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### **PART B – Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB**

#### **B1. Performance Review**

The Group's operating revenue for the current quarter and financial year to-date ended 30 September 2004 totalled RM44.3 million and RM126.9 million, representing 3.5% and 2.8% increase over the preceding year corresponding period operating revenue of RM42.8 million and RM123.5 million respectively. The increases were derived mainly from the increase in sales of water in Penang.

The Group attained a profit before taxation of RM14.8 million for the quarter in review, which is 5.0% above the preceding year corresponding quarter of RM14.1 million.

#### **B2. Material changes in the quarterly results compared to the results of the preceding quarter**

During the current quarter ended 30 September 2004, profit before taxation of the Group totalled RM14.8 million as compared to RM12.1 million in the previous quarter ended 30 June 2004, recording an increase of 22.3%. The significant improvement was attributed to increase in operating revenue.

#### **B3. Commentary on the prospects**

The Group will continue to focus on its core competency of supplying water in the State of Penang profitably and cost-effectively, while planning and implementing projects and programmes for the future. Barring any unforeseen circumstances, the Company should be able to maintain its operating performance for the rest of the year ending 31 December 2004.

Meanwhile, we will also continue to explore other new avenues of revenue such as new areas of business related to water supply and consumption in Penang and the rest of Malaysia.

#### **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 2004 RM'000	Current year-to-date ended 30 September 2004 RM'000
Current year's tax	1,001	3,481
Transfer to deferred taxation account in respect of :		
- Under provision in prior year	-	1,100
- Current period	1,800	3,300
	2,801	7,881

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 2004 is 19.0% and 22.6% 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 2004 RM'000	Current year-to-date ended 30 September 2004 RM'000
Balance at 01-06-2004 / 01-01-2004	30,818	28,868
Add : Purchase of investments	7,063	19,189
Less : Proceeds from disposal of investments	(6,908)	(18,679)
Less / Add : (Loss) / Gain on disposal of investments	(583)	1,012
	30,390	30,390
Provision for diminution in investment	(363)	(363)
Balance at 30-09-2004	30,027	30,027

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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 2004 and 31 December 2003, the funds were invested as follows:

	30 September 2004 RM'000	31 December 2003 RM'000
Shares quoted in Malaysia, at cost	23,569	23,756
Fixed interest securities, at cost	188	(78)
Fixed deposits with licensed banks	3,059	2,012
Fixed deposits with other corporations	1,530	973
Money market placement	2,045	2,205
	30,390	28,868
Provision for diminution in investment	(363)	-
Total	30,027	28,868

Market value of quoted shares	23,206	26,310
	=====	=====

### **B8. Corporate proposals**

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

### **B9. Borrowing and debt securities**

	30 September 2004 RM'000	31 December 2003 RM'000
Short Term Borrowings-Local Currency	14,955	15,234
Long Term Borrowings-Local Currency	137,089	144,111
	152,044	159,345

The unsecured term loans were obtained from 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 2004 for the current quarter ended 30 September 2004. (30 September 2003 – Interim tax-exempt dividend of 5% for the year ended 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 2004	Current year-to-date ended 30 September 2004
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	11,950	26,997
Weighted average number of ordinary shares in issue: ('000)	331,000	331,000
Basic earnings per share (sen)	3.61	8.16

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

**B14. Authorisation for Issue**

On 18 November 2004, the Board of Directors authorised this Interim Financial Report for issue.