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

**Condensed Consolidated Balance Sheet**  
**At 30 September 2007**

	<b>30 September 2007</b> RM '000	<b>31 December 2006</b> RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	613,360	659,956
Investments in jointly controlled entity	756	756
Investments	36,729	30,267
Prepaid lease payments	18,560	18,646
<b>Current assets</b>		
Inventories	15,957	13,900
Trade receivables	13,809	16,561
Other receivables	38,609	23,305
Tax recoverable	963	1,269
Fixed deposits	49,400	75,500
Cash and bank balances	12,785	8,049
	<u>131,523</u>	<u>138,584</u>
<b>TOTAL ASSETS</b>	<u><u>800,928</u></u>	<u><u>848,209</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share Capital	165,601	165,579
Reserves	401,990	374,864
	<u>567,591</u>	<u>540,443</u>
Minority Interest	-	-
<b>Total Equity</b>	<u><u>567,591</u></u>	<u><u>540,443</u></u>
<b>Non-Current Liabilities</b>		
Term loans - unsecured	85,767	137,236
Deferred taxation	48,950	49,636
Provision for retirement benefits	22,749	17,476
	<u>157,466</u>	<u>204,348</u>
<b>Current Liabilities</b>		
Trade payables	1,062	1,581
Other payables	67,138	94,396
Term loans (unsecured)	6,552	6,552
Retirement benefit obligations	1,119	889
	<u>75,871</u>	<u>103,418</u>
<b>Total Liabilities</b>	<u>233,337</u>	<u>307,766</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>800,928</u></u>	<u><u>848,209</u></u>
<b>Net assets per share (RM)</b>	<u><u>1.71</u></u>	<u><u>1.63</u></u>

\* 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 2006.

**PBA HOLDINGS BHD.**  
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**Condensed Consolidated Income Statements**  
**For the periods ended 30 September 2007**

	3 months ended 30 September 2007 RM'000	3 months ended 30 September 2006 RM'000	9 months ended 30 September 2007 RM'000	9 months ended 30 September 2006 RM'000
<b>Revenue</b>	45,850	45,011	135,931	129,727
<b>Cost of Sales</b>	31,905	28,530	88,795	81,984
Gross Profit	13,945	16,481	47,136	47,743
Other income				
- Interest income	386	462	2,071	3,007
- Others	5,529	5,562	14,499	8,057
Administrative expenses	(8,947)	(10,205)	(25,681)	(24,243)
<b>Profit from operations</b>	10,913	12,300	38,025	34,564
Finance Cost				
- Interest expense	(3)	(2)	(14)	(5)
Share of profits of jointly controlled entity	-	1,075	-	1,075
<b>Profit before taxation</b>	10,910	13,373	38,011	35,634
Income Tax expense				
Company and subsidiaries	1,201	2,600	2,450	6,996
Jointly controlled entity	-	10	-	10
	(1,201)	(2,610)	(2,450)	(7,006)
<b>Profit after taxation</b>	9,709	10,763	35,561	28,628
Minority interest	-	-	-	-
<b>Net Profit for the period</b>	9,709	10,763	35,561	28,628
Earnings per share (sen)				
- Basic	2.93	3.25	10.74	8.65
- Diluted	2.86	3.19	10.46	8.48
Dividend per share (sen)				
- Interim tax exempt dividend	-	-	-	-
- Final dividend 7% less tax at 28%	-	2.52	-	2.52
- Final dividend 7% less tax at 27%	-	-	-	-

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2006.

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**Condensed Consolidated Statement of Changes in Equity**  
**For the period ended 30 September 2007**

	← Non Distributable →				Distributable Retained profits RM 000	Total RM 000
	Share capital RM 000	Share Premium RM 000	Reserve on Consolidation RM 000	Other Reserves RM 000		
At 1 January 2007	165,579	161,881	-	543	212,440	540,443
Issuance of shares for ESOS	22	27	-	-	-	49
Profit after taxation for the period	-	-	-	-	35,561	35,561
Final tax exempt dividend at 7% less tax at 27%	-	-	-	-	(8,462)	(8,462)
At 30 September 2007	<u>165,601</u>	<u>161,908</u>	<u>-</u>	<u>543</u>	<u>239,539</u>	<u>567,591</u>
At 1 January 2006 (As previously reported)	165,550	161,836	53,780	-	154,339	535,505
Effect of change in accounting policy - FRS 112	-	-	-	-	(18,330)	(18,330)
Effect of adopting FRS3	-	-	(53,780)	-	53,780	-
At 1 January 2006 (Restated)	165,550	161,836	-	-	189,789	517,175
Issuance of shares for ESOS	29	45	-	-	-	74
Profit after taxation for the period	-	-	-	-	28,628	28,628
Exchange Fluctuation Reserve	-	-	-	103	-	103
Final tax exempt dividend at 7% less tax at 28%	-	-	-	-	(8,344)	(8,344)
At 30 September 2006 (As restated)	<u>165,579</u>	<u>161,881</u>	<u>-</u>	<u>103</u>	<u>210,073</u>	<u>537,636</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 2006.**

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**Condensed Consolidated Cash Flow Statement**  
**For the period ended 30 September 2007**

	30 September 2007 RM '000	30 September 2006 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	38,011	35,634
Adjustments for -		
Depreciation	19,238	19,835
Interest expense	-	-
Interest income	(2,338)	(2,786)
Provision for retirement benefits	6,371	3,061
Other miscellaneous	(6,185)	(4,340)
	<u>55,097</u>	<u>51,404</u>
<b>Operating profit before working capital changes</b>	55,097	51,404
Net change in current assets	(14,276)	1,897
Net change in current liabilities	(6,440)	(8,676)
	<u>34,381</u>	<u>44,625</u>
<b>Cash generated from operations</b>	34,381	44,625
Interest paid	-	-
Retirement benefits paid	(868)	(637)
Tax paid	(2,830)	(2,584)
	<u>30,683</u>	<u>41,404</u>
<b>Net cash from operating activities</b>	30,683	41,404
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (gross)	895	698
Interest received	2,338	2,786
Proceeds from disposal of property, plant and equipment	5	4
Proceeds from disposal of investments	43,313	19,226
Purchase of investments	(44,195)	(19,873)
Net purchase of property, plant and equipment	(40,313)	(85,026)
	<u>(37,957)</u>	<u>(82,185)</u>
<b>Net cash used in investing activities</b>	(37,957)	(82,185)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	48	75
Term loans (net)	(5,677)	(5,677)
Dividend paid	(8,461)	(8,344)
	<u>(14,090)</u>	<u>(13,946)</u>
<b>Net cash used in financing activities</b>	(14,090)	(13,946)
<b>Net Increase in cash and cash equivalents</b>	(21,364)	(54,727)
<b>Cash and cash equivalents at 1 January</b>	83,549	144,990
	<u>62,185</u>	<u>90,263</u>
<b>Cash and cash equivalents at 30 September</b>	62,185	90,263
<b>Cash and cash equivalents at 30 September</b>		
Fixed deposits	49,400	86,500
Cash and bank balances	12,785	3,763
	<u>62,185</u>	<u>90,263</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 2006.

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## Notes to the Interim Financial Report

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### **PART A – Notes Pursuant to FRS 134**

#### **A1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134, 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 2006.** 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 December 2006.

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

The audit report of the audited financial statements for the year ended 31 December 2006 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 2007.

#### **A5. Changes in estimates**

There is no changes in estimates that has had a material effect in the current quarter and current financial year to-date results.

#### **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 except for the following:

##### Employees' Share Options Scheme (ESOS)

During the current quarter and financial year to-date ended 30 September 2007, the Company issued 20,800 and 43,200 ordinary shares of RM0.50 each respectively for cash pursuant to the Company's ESOS at exercise price of RM1.12 per ordinary share.

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## Notes to the Interim Financial Report

### A7. Dividends paid

	Amount		Net dividends per share	
	30 September 2007 RM'000	31 December 2006 RM'000	30 September 2007 Sen	31 December 2006 Sen
Final tax exempt dividend in respect of financial year ended 31 December 2006 of 7% less tax at 27 % paid on 20 July 2007	8,462		2.55	
Interim tax-exempt dividend in respect of financial year ended 31 December 2006 of 5% paid on 22 December 2006	-	8,279	-	2.50
Final tax exempt dividend in respect of financial year ended 31 December 2005 of 7% less tax at 28 % paid on 21 July 2006	-	8,344	-	2.52
	8,462	16,623	2.55	5.02

A final tax-exempt dividend of 7% less tax at 27% amounting to RM8,461,655 for the financial year ended 31 December 2006 as reported in the director's report of that year was paid on 20 July 2007.

### 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 fixed 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 except that its subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd had awarded a contract of works for supply, delivery, installation and commissioning of High Lift Pumping Station and Associated Works, Sungai Dua WTP, SPU (Package 8) in relation to the project for Muda River Water Scheme Phase 4A to Hayana Sdn Bhd of Lot 1332, Mukim 11, Jalan Nyior Sebatang, 13300 Tasek Gelugor, Seberang Perai Utara, Pulau Pinang for a contract value of RM52,520,000.00 (“the Contract”).

The Contract will not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2007.

None of the Directors and/or substantial shareholders and/or the persons connected to them has any interest, direct or indirect in the Contract.

### 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 2007.

### 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 2006 except as follows:

	30 September 2007 RM000	31 December 2006 RM000
Corporate Guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	646 =====	743 =====

### A13. Capital Commitments

	30 September 2007 RM000	31 December 2006 RM000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the accounts	64,000	72,000
(ii) Approved but not contracted for	306,000 =====	338,000 =====



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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 revenue for the current quarter and financial year to-date ended 30 September 2007 totalled RM45.8 million and RM135.9 million, representing 1.9% and 4.8% increase over the preceding year corresponding periods revenue of RM45.0 million and RM129.7 million respectively. The increases were derived mainly from the increase in sales of water and trunk mains contribution in Penang.

The Group attained a profit after taxation of RM9.7 million for the quarter in review, which is 10.2% lower than the preceding year corresponding quarter of RM10.8 million. This was mainly attributed to the increase in cost of sales in the current quarter as compared to the preceding year corresponding quarter.

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

The Group recorded profit after taxation of RM9.7 million during the quarter under review, as compared to RM14.0 million in the preceding quarter. The decrease is due to the increase in maintenance cost in the current quarter.

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

Barring unforeseen circumstances, the Group should be able to achieve satisfactory performance for the rest of the financial year 2007.

#### **B4. Profit forecast or profit guarantee**

Not applicable.

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## Notes to the Interim Financial Report

### B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 30 September 2007 RM'000	Current year-to-date ended 30 September 2007 RM'000
Current period tax		
- Company and subsidiaries	951	3136
- Jointly controlled entity	-	-
Transfer to deferred taxation account	250	(686)
Total	1,201	2,450

The domestic statutory tax rate is reduced to 27% in 2007 from preceding year's rate of 28% and to 26% effective year of assessment 2008. The computation of deferred tax as at 30 September 2007 has reflected these changes.

The lower effective tax rate of the Group of 6.4% for the current period to-date ended 30 September 2007 was due to reinvestment allowance claimed by the subsidiary company.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group for the current period to-date is as follows:

	30 September 2007 RM'000
Profit before taxation	38,011
Taxation at Malaysian statutory tax rate of 27%	10,263
Effect of changes in tax rates on opening balance of deferred tax	(1,831)
Deferred tax recognised at different tax rates	(51)
Income not subject to tax	(1,568)
Expenses not deductible for tax purposes	735
Utilisation of current year reinvestment allowances	(5,133)
Under payment of current tax	35
Tax expense for the period	2,450

	30 September 2007 RM'000
Unutilised reinvestment allowances	85,002

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## Notes to the Interim Financial Report

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### **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 2007 RM'000	Current year-to-date ended 30 September 2007 RM'000
Balance at 01-07-2007 /01-01-2007	34,907	30,267
Add: Purchase of investments	18,736	44,194
Less : Proceeds from disposal of investments	(18,369)	(43,313)
Add: Gain on disposal of investments	1,455	5,581
Balance at 30-09-2007	36,729	36,729

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

As at 30 September 2007 and 31 December 2006, the funds were invested as follows:

	30 September 2007 RM'000	31 December 2006 RM'000
Shares quoted in Malaysia, at cost	31,630	22,788
Fixed interest securities, at cost	-	7
Fixed deposits with licensed banks	840	2,328
Money market placement	4,259	5,144
Total	36,729	30,267

Market value of quoted shares	36,341	26,785
	=====	=====

### **B8. Corporate proposals**

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

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

	30 September 2007 RM'000	31 December 2006 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	85,767	137,236
	92,319	143,788

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

The term loans are repayable over a period of 12 to 20 years by yearly instalments ranging between RM14,800 and RM2,940,000 per annum.

During the financial year-to-date ended 30 June 2007, based on an agreement with the respective parties an amount of RM45,792,000 due to the State Government of Penang has been reclassified to amount due to Jabatan Bekalan Air Pulau Pinang (JBAPP) included under current liabilities as advances from JBAPP for future project progress payments to be made on its behalf.

### **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 do not recommend any interim dividend for the financial period ended 30 September 2007.

In the corresponding financial period ended 30 September 2006, an interim tax-exempt dividend of 5% was declared by the Company to its shareholders.

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### **B13. Earnings per share (sen)**

(a) Basic

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 2007	Current year-to-date ended 30 September 2007
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	9,709	35,561
Weighted average number of ordinary shares in issue: ('000)	331,182	331,182
Basic earnings per share (sen)	2.93	10.74

(b) Diluted

The calculation of diluted 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 2007	Current year-to-date ended 30 September 2007
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	9,709	35,561
Weighted average number of ordinary shares in issue: ('000)	331,182	331,182
Effect of dilution in share option: ('000)	8,874	8,874
Adjusted weighted average number of ordinary shares in issue: ('000)	340,056	340,056
Diluted earnings per share (sen)	2.86	10.46

### **B14. Authorisation for Issue**

On 25 October 2007, the Board of Directors authorised this Interim Financial Report for issue.