

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

**Condensed Consolidated Balance Sheet**  
**At 31 March 2008**

	<b>31 March 2008</b> <b>RM '000</b>	<b>31 December 2007</b> <b>RM '000</b> <b>(Restated)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	618,170	619,730
Investments in jointly controlled entity	499	499
Investments	14,517	22,877
Prepaid lease payments	18,447	18,502
<b>Current assets</b>		
Inventories	14,881	15,400
Trade receivables	16,516	14,801
Other receivables	44,363	18,365
Tax recoverable	7,210	9,071
Fixed deposits	101,400	104,400
Cash and bank balances	(453)	4,458
	<u>183,917</u>	<u>166,495</u>
<b>TOTAL ASSETS</b>	<u><u>835,550</u></u>	<u><u>828,103</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share Capital	165,603	165,603
Reserves	455,972	447,139
	<u>621,575</u>	<u>612,742</u>
Minority Interest	-	-
<b>Total Equity</b>	<u><u>621,575</u></u>	<u><u>612,742</u></u>
<b>Non-Current Liabilities</b>		
Term loans - unsecured	79,837	84,892
Deferred taxation	5,600	5,600
Provision for retirement benefits	21,402	20,814
	<u>106,839</u>	<u>111,306</u>
<b>Current Liabilities</b>		
Trade payables	1,677	1,862
Other payables	72,623	94,542
Term loans (unsecured)	31,552	6,552
Retirement benefit obligations	1,284	1,099
	<u>107,136</u>	<u>104,055</u>
<b>Total Liabilities</b>	<u>213,975</u>	<u>215,361</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>835,550</u></u>	<u><u>828,103</u></u>
<b>Net assets per share (RM)</b>	<u><u>1.88</u></u>	<u><u>1.85</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 2007.

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

**Condensed Consolidated Income Statements**  
**For the periods ended 31 March 2008**

	3 months ended 31 March 2008 RM'000	3 months ended 31 March 2007 RM'000 (Restated)	3 months ended 31 March 2008 RM'000	3 months ended 31 March 2007 RM'000 (Restated)
<b>Revenue</b>	48,072	43,861	48,072	43,861
<b>Cost of Sales</b>	32,469	27,502	32,469	27,502
Gross Profit	15,603	16,359	15,603	16,359
Other income				
- Interest income	811	296	811	296
- Others	3,817	4,353	3,817	4,353
Administrative expenses	(10,253)	(7,849)	(10,253)	(7,849)
<b>Profit from operations</b>	9,978	13,159	9,978	13,159
Finance Cost				
- Interest expense	(195)	(9)	(195)	(9)
Share of profits of jointly controlled entity	-	-	-	-
<b>Profit before taxation</b>	9,783	13,150	9,783	13,150
Income Tax expense				
Company and subsidiaries	950	2,714	950	2,714
Jointly controlled entity	-	-	-	-
	(950)	(2,714)	(950)	(2,714)
<b>Profit after taxation</b>	8,833	10,436	8,833	10,436
Minority interest	-	-	-	-
<b>Net Profit for the period</b>	8,833	10,436	8,833	10,436
Earnings per share (sen)				
- Basic	2.67	3.15	2.67	3.15
- Diluted	2.60	3.06	2.60	3.06
Dividend per share (sen)				
- Interim tax exempt dividend of 5%	-	-	-	-
- Interim dividend 7% less tax at 27%	-	-	-	-
- Final dividend 7% less tax at 28%	-	-	-	-
- 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 2007.

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

**Condensed Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2008**

	Share capital RM 000	Share Premium RM 000	Other Reserves RM 000	Distributable Retained profits RM 000	Total RM 000
At 1 January 2008	165,603	161,910	405	219,655	547,573
Prior Year Adjustment Deferred taxation (FRS112)	-	-	-	65,169	65,169
At 1 January 2008 (Restated)	165,603	161,910	405	284,824	612,742
Profit after taxation for the year	-	-	-	8,833	8,833
At 31 December 2007	165,603	161,910	405	293,657	621,575
At 1 January 2007 (As previously reported)	165,579	161,881	543	212,440	540,443
Prior Year Adjustments					
Depreciation on completed capital projects	-	-	-	(10,102)	(10,102)
Overprovision of income tax	-	-	-	5,101	5,101
Deferred taxation on completed capital projects	-	-	-	(13,477)	(13,477)
At 1 January 2007 (Restated)	165,579	161,881	543	193,962	521,965
Prior Year Adjustment Deferred taxation (FRS112)	-	-	-	63,113	63,113
	165,579	161,881	543	257,075	585,078
Issuance of shares pursuant to ESOS	8	10	-	-	18
Profit after taxation for the year	-	-	-	10,436	10,436
At 31 March 2007	165,587	161,891	543	267,511	595,532

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 2007.**

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

**Condensed Consolidated Cash Flow Statement**  
**For the year ended 31 March 2008**

	31 March 2008 RM '000	31 March 2007 RM '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,783	13,150
Adjustments for -		
Depreciation	9,013	6,154
Interest expense	194	-
Interest income	(905)	(382)
Provision for retirement benefits	1,230	1,098
Other miscellaneous	(1,441)	(1,978)
	<u>17,874</u>	<u>18,042</u>
<b>Operating profit before working capital changes</b>	17,874	18,042
Net change in current assets	(24,542)	(1,128)
Net change in current liabilities	(22,098)	(12,157)
	<u>(28,766)</u>	<u>4,757</u>
<b>Cash generated from operations</b>	(28,766)	4,757
Interest paid	-	-
Retirement benefits paid	(457)	(151)
Tax refund /(paid)	953	(951)
	<u>(28,270)</u>	<u>3,655</u>
<b>Net cash from operating activities</b>	(28,270)	3,655
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (gross)	132	196
Interest received	905	382
Proceeds from disposal of property, plant and equipment	58	-
Proceeds from disposal / withdrawal of investments	19,443	14,064
Purchase of property, plant and equipment	(10,530)	(6,327)
Purchase of investments	(9,594)	(14,275)
	<u>414</u>	<u>(5,960)</u>
<b>Net cash used in investing activities</b>	414	(5,960)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	18
Short term revolving credit	25,000	-
Term loans (net)	(5,055)	(4,055)
Dividend paid	-	-
	<u>19,945</u>	<u>(4,037)</u>
<b>Net cash used in financing activities</b>	19,945	(4,037)
<b>Net increase in cash and cash equivalents</b>	(7,911)	(6,342)
<b>Cash and cash equivalents at 1 January</b>	108,858	83,549
	<u>100,947</u>	<u>77,207</u>
<b>Cash and cash equivalents at 31 March</b>	100,947	77,207
<b>Cash and cash equivalents at 31 March</b>		
Fixed deposits	101,400	70,000
Cash and bank balances	(453)	7,207
	<u>100,947</u>	<u>77,207</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 2007.

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## 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 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 December 2007.

#### **A2. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised Financial Reporting Standards (FRSs)**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2008:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investments in a Foreign Operation
IC Interpretation I	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sup>2004</sup> Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

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

## Notes to the Interim Financial Report

The above new and revised FRSs, amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group upon their application other than:

(i) FRS 112 : Income Taxes

The Group does not recognise deferred tax assets on unused reinvestment allowances as required by paragraph 36 of FRS 112<sup>2004</sup> Income Taxes. Under the revised FRS 112 Income Taxes, the Group will have to recognise deferred tax asset on such unused reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unused reinvestment allowances can be utilised. During the current year, the Group and Company changed its accounting policy and accordingly, deferred tax assets on unused reinvestment allowances is recognized to set off deferred tax liabilities.

The effects arising from this change has been accounted for retrospectively and as disclosed in Note A3, certain comparative amounts as at 31 December 2007 has been restated. This change of accounting policy has been accounted for retrospectively and has resulted in the following:

	<b>As at 1.1.2008</b>	<b>As at 1.1.2007</b>
Increase in retained profits	65,169,000	63,113,000
Decrease in deferred taxation	(65,169,000)	(63,113,000)
	=====	
	<b>Current quarter</b>	<b>Current year to-date</b>
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>31.3.2008</b>	<b>31.3.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Decrease in profit for the period	-	1,400
	=====	

(ii) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Company's and Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Company and Group have applied this amendment from financial periods beginning 1 January 2008 and the application has no material impact on the consolidated financial statements for the financial year ending 31 December 2008.

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

## Notes to the Interim Financial Report

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### A3. Comparatives

The following comparative amounts have been restated due to the change in accounting policy on FRS 112 are as follows:

	<b>As Previously reported RM'000</b>	<b>FRS 112 RM'000</b>	<b>Restated RM'000</b>
<b>At 31 December 2007</b>			
Deferred Taxation	70,769	(65,169)	5,600
Retained Earnings	219,655	65,169	284,824
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<b>3 months ended 31 March 2007</b>			
Income tax expense	1,314	1,400	2,714
Profit after taxation	11,836	(1,400)	10,436
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### A4. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2007 was not subject to any qualification.

### A5. Comments about seasonal or cyclical factors

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

### A6. Unusual items due to their nature, size or incidence

There is no unusual item in the current quarter and current financial year to-date ended 31 March 2008.

### A7. Significant Accounting Estimates and Judgments

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

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

## Notes to the Interim Financial Report

### A8. 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.

### A9. Dividends paid

	Amount		Net dividends per share	
	31 March 2008 RM'000	31 December 2007 RM'000	31 March 2008 Sen	31 December 2007 Sen
Interim dividend in respect of financial year ended 31 December 2007 of 7% less tax at 27 % paid on 17 December 2007	-	8,462	-	2.55
Final 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
	-	16,924	-	5.10

### A10. 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.

### A11. Carrying amount of property, plant and equipment

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



PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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**A12. Subsequent events**

There are no material events subsequent to the balance sheet date up to the date of the issue of this report.

**A13. Changes in composition of the Group**

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 31 March 2008.

**A14. Changes in contingent liabilities and contingent assets**

There are no material contingent liabilities or contingent assets since the last financial statements for the year ended 31 March 2008 except as follows:

	31 March 2008 RM'000	31 December 2007 RM'000
Corporate Guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	565 =====	565 =====

**A15. Capital Commitments**

	31 March 2008 RM'000	31 December 2007 RM'000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the Financial Statements	148,000	151,000
(ii) Approved but not contracted for	324,000 =====	331,000 =====

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## 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 current financial year to-date ended 31 March 2008 totalled RM48.0, representing 9.6% increase over the preceding year corresponding periods' revenue of RM43.8 million respectively. The increases were derived mainly from the increase in sales of water and trunk mains contribution in Penang.

The Group recorded a profit before taxation of RM9.8 million for the quarter under review, which is 25.6% lower than the preceding year corresponding quarters profit before taxation of RM13.1 million. The decrease is mainly due to the increase in cost of sales and administrative expenses.

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

The Group recorded a profit before taxation of RM9.8 million for the quarter under review, as compared to RM13.3 million in the preceding quarter. The decrease is due to increase in cost of sales and administrative expenses.

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

Barring unforeseen circumstances, the Board expects the Group to maintain its performance for the rest of the year 2008.

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

Not applicable.

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

## Notes to the Interim Financial Report

### **B5. Taxation**

The Group tax provision includes the following:

	Current quarter ended 31 March 2008 RM'000	Current year-to-date ended 31 March 2008 RM'000
Current period tax		
- Company and subsidiaries	950	950
- Jointly controlled entity	-	-
Transfer to deferred taxation account	-	-
Total	950	950

The lower tax change of the Group is due to reinvestment allowance claimed by the subsidiary company.

The domestic statutory tax rate is reduced to 26% in 2008 from preceding year's rate of 27% and to 25% in subsequent year of assessment. The computation of deferred tax as at 31 March 2008 has reflected these changes.

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 year to-date is as follows:

	31 March 2008 RM'000
Profit before taxation	9,783
Taxation at Malaysian statutory tax rate of 26%	2,544
Effect of changes in tax rates on opening balance of deferred tax	(214)
Deferred tax recognised at different tax rates	(172)
Income not subject to tax	(387)
Expenses not deductible for tax purposes	671
Utilisation of current year reinvestment allowances	(1,492)
Tax expense for the year	950

The unutilised reinvestment allowances as at 31 March 2008 is as follows:

	31 March 2008 RM'000
Unutilised reinvestment allowances	248,402

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

## 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 31 March 2008 RM'000	Current year-to-date ended 31 March 2008 RM'000
Balance at 01-01-2008	22,877	22,877
Add: Purchase of investments	9,594	9,594
Less : Proceeds from disposal of investments	(9,443)	(9,443)
Add: Gain on disposal of investments	1,489	1,489
Less : Withdrawal of funds	(10,000)	(10,000)
Balance at 31-03-2008	14,517	14,517

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

As at 31 March 2008 and 31 December 2007, the funds were invested as follows:

	31 March 2008 RM'000	31 December 2008 RM'000
Shares quoted in Malaysia, at cost	13,093	11,457
Fixed interest securities, at cost	-	-
Fixed deposits with licensed banks	(99)	4,430
Money market placement	1,522	6,990
Total	14,517	22,877

Market value of quoted shares	13,101	15,556
	=====	=====

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### **B8. Corporate proposals**

There are no corporate proposals which have been announced for the current quarter and current financial year to-date.

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

	31 March 2008 RM'000	31 December 2007 RM'000
Short Term Borrowings-Local Currency	31,552	6,552
Long Term Borrowings-Local Currency	79,837	84,892
	111,389	91,444

The unsecured term loans were obtained to finance major water projects.

The term loans are repayable over a period of 10 to 14 years by yearly instalments ranging between RM14,800 and RM2,940,000 per annum.

During the current quarter ended 31 March 2008, the subsidiary company obtained a short term revolving credit of RM25 million from a licensed financial institution to finance a major water project. The short term revolving credits is unsecured and bears interest at 4.35% per annum.

### **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 recommended a final dividend of 7% less tax at 26% amounting to RM8,462,000 in respect of the financial year ended 31 December 2007 subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the financial year and period ended 31 December 2007 and 31 March 2008 respectively do not reflect this proposed final dividend. It will be accounted for in the shareholders' equity as an appropriation of retained profits in financial year 2008 accordingly.

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

## Notes to the Interim Financial Report

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

#### (a) Basic

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

	Current quarter ended 31 March 2008	Current year-to-date ended 31 March 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,833	8,833
Weighted average number of ordinary shares in issue: ('000)	331,205	331,205
Basic earnings per share (sen)	2.67	2.67

#### (b) Diluted

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

	Current quarter ended 31 March 2008	Current year-to-date ended 31 March 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,833	8,833
Weighted average number of ordinary shares in issue: ('000)	331,205	331,206
Effect of dilution in share option: ('000)	8,791	8,791
Adjusted weighted average number of ordinary shares in issue: ('000)	339,996	339,996
Diluted earnings per share (sen)	2.60	2.60

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

On 22 May 2008, the Board of Directors authorised this Interim Financial Report for issue.