

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 JUNE 2008

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Condensed Consolidated Balance Sheet
At 30 June 2008

	30 June 2008 RM '000	31 December 2007 RM '000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	625,713	619,730
Investments in jointly controlled entity	499	499
Investments	13,822	22,877
Prepaid lease payments	18,405	18,502
Current assets		
Inventories	16,032	15,400
Trade receivables	16,450	14,801
Other receivables	23,638	18,365
Tax recoverable	7,631	9,071
Fixed deposits	80,900	104,400
Cash and bank balances	13,065	4,458
	<u>157,716</u>	<u>166,495</u>
TOTAL ASSETS	<u><u>816,155</u></u>	<u><u>828,103</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	165,603	165,603
Reserves	462,818	447,139
	<u>628,421</u>	<u>612,742</u>
Minority Interest	-	-
Total Equity	<u><u>628,421</u></u>	<u><u>612,742</u></u>
Non-Current Liabilities		
Term loans - unsecured	79,357	84,892
Deferred taxation	6,800	5,600
Provision for retirement benefits	22,103	20,814
	<u>108,260</u>	<u>111,306</u>
Current Liabilities		
Trade payables	1,094	1,862
Other payables	70,600	94,542
Term loans (unsecured)	6,632	6,552
Retirement benefit obligations	1,148	1,099
	<u>79,474</u>	<u>104,055</u>
Total Liabilities	187,734	215,361
TOTAL EQUITY AND LIABILITIES	<u><u>816,155</u></u>	<u><u>828,103</u></u>
Net assets per share (RM)	<u><u>1.90</u></u>	<u><u>1.85</u></u>

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.

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Condensed Consolidated Income Statements
For the period ended 30 June 2008

	3 months ended 30 June 2008 RM'000	3 months ended 30 June 2007 RM'000	6 months ended 30 June 2008 RM'000	6 months ended 30 June 2007 RM'000
Revenue	46,392	46,220	94,464	90,081
Cost of Sales	30,528	29,388	62,997	56,890
Gross Profit	15,864	16,832	31,467	33,191
Other income				
- Interest income	921	1,389	1,732	1,685
- Others	1,655	4,617	5,472	8,970
Administrative expenses	(10,283)	(8,885)	(20,536)	(16,734)
Profit from operations	8,157	13,953	18,135	27,112
Finance Cost				
- Interest expense	(5)	(2)	(6)	(11)
Share of profits of jointly controlled entity	-	-	-	-
Profit before taxation	8,152	13,951	18,129	27,101
Income Tax expense				
Company and subsidiaries	1,500	2,271	2,450	4,985
Jointly controlled entity	-	-	-	-
	(1,500)	(2,271)	(2,450)	(4,985)
Profit after taxation	6,652	11,680	15,679	22,116
Minority interest	-	-	-	-
Net Profit for the period	6,652	11,680	15,679	22,116
Earnings per share (sen)				
- Basic	2.01	3.53	4.73	6.68
- Diluted	1.96	3.43	4.61	6.50

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 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 period	-	-	-	15,679	15,679
At 30 June 2008	165,603	161,910	405	300,503	628,421
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	11	14	-	-	25
Profit after taxation for the period	-	-	-	22,116	22,116
At 30 June 2007	165,590	161,895	543	279,191	607,219

* 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.

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Condensed Consolidated Cash Flow Statement
For the period ended 30 June 2008

	6 months ended 30 June 2008 RM '000	6 months ended 30 June 2007 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,129	27,101
Adjustments for -		
Depreciation	16,575	12,351
Interest expense	-	-
Interest income	(1,918)	(1,860)
Provision for retirement benefits	2,471	1,814
Other miscellaneous	(272)	(4,639)
Operating profit before working capital changes	34,985	34,767
Net change in current assets	(4,615)	4,117
Net change in current liabilities	(24,710)	(9,714)
Cash generated from operations	5,660	29,170
Interest paid	-	-
Retirement benefits paid	(1,134)	(619)
Tax refund /(paid)	266	(1,894)
Net cash from operating activities	4,792	26,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (net)	251	513
Interest received	1,918	1,860
Proceeds from disposal of property, plant and equipment	58	-
Proceeds from disposal / withdrawal of investments	24,404	24,944
Purchase of property, plant and equipment	(26,174)	(22,743)
Purchase of investments	(14,687)	(25,459)
Net cash used in investing activities	(14,230)	(20,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	25
Short term revolving credit	-	-
Term loans (net)	(5,455)	(5,055)
Dividend paid	-	-
Net cash used in financing activities	(5,455)	(5,030)
Net (decrease) / increase in cash and cash equivalents	(14,893)	742
Cash and cash equivalents at 1 January	108,858	83,549
Cash and cash equivalents at 30 June	93,965	84,291
Cash and cash equivalents at 30 June		
Fixed deposits	80,900	79,000
Cash and bank balances	13,065	5,291
	93,965	84,291

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.

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Notes to the Interim Financial Report

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 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

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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 112²⁰⁰⁴ 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 have been accounted for retrospectively and as disclosed in Note A3, certain comparative amounts as at 31 December 2007 have been restated. This change in accounting policy has been accounted for retrospectively and has resulted in the following:

	As at 1.1.2008	As at 1.1.2007		
Increase in retained profits	65,169,000	63,113,000		
Decrease in deferred taxation	(65,169,000)	(63,113,000)		
	=====			
	Current quarter		Current year to-date	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	-	2,336	-	3,736
	=====			

(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.

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Notes to the Interim Financial Report

A3. Comparatives

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

	As Previously reported RM'000	FRS 112 RM'000	Restated RM'000
At 31 December 2007			
Deferred Taxation	70,769	(65,169)	5,600
Retained Earnings	219,655	65,169	284,824
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6 months ended 30 June 2007			
Income tax expense	1,249	3,736	4,985
Profit after taxation	25,852	(3,736)	22,116
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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 30 June 2008.

A7. Significant Accounting Estimates and Judgments

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

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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	
	30 June 2008 RM'000	31 December 2007 RM'000	30 June 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.

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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 30 June 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 30 June 2008 except as follows:

	30 June 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

	30 June 2008 RM'000	31 December 2007 RM'000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the Financial Statements	140,000	151,000
(ii) Approved but not contracted for	317,000 =====	331,000 =====

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Notes to the Interim Financial Report

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 30 June 2008 totalled RM46.4 million and RM94.4 million, representing 0.4% and 4.9% increase over the preceding year corresponding period's revenue of RM46.2 million and RM90.1 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 RM8.3 million for the quarter under review, which is 40.3% lower than the preceding year corresponding quarter's profit before taxation of RM13.9 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 RM8.3 million for the quarter under review, as compared to RM9.8 million in the preceding quarter. The decrease is due to the increase in cost of sales and administrative expenses.

B3. Commentary on the prospects

Based on the year to-date results, the Group should achieved satisfactory performance for the rest of the financial year 2008.

B4. Profit forecast or profit guarantee

Not applicable.

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B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 30 June 2008 RM'000	Current year-to-date ended 30 June 2008 RM'000
Current period tax		
- Company and subsidiaries	300	1,250
- Jointly controlled entity	-	-
Transfer to deferred taxation account	1,200	1,200
Total	1,500	2,450

The lower tax charge 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 30 June 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:

	30 June 2008 RM'000
Profit before taxation	18,129
Taxation at Malaysian statutory tax rate of 26%	4,714
Effect of changes in tax rates on opening balance of deferred tax	(260)
Deferred tax recognised at different tax rates	(412)
Income not subject to tax	(331)
Expenses not deductible for tax purposes	249
Utilisation of current year reinvestment allowances	(1,510)
Tax expense for the year	2,450

The unutilised reinvestment allowances as at 30 June 2008 is as follows:

	30 June 2008 RM'000
Unutilised reinvestment allowances	252,714

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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 June 2008 RM'000	Current year-to-date ended 30 June 2008 RM'000
Balance at 01-04-2008 /01-01/08	14,517	22,877
Add: Purchase of investments	5,093	14,687
Less : Proceeds from disposal of investments	(4,961)	(14,404)
Add / (Less) : Gain / (Loss) on disposal of investments	(252)	1,237
Less : Withdrawal of funds	-	(10,000)
Less : Provision for diminution in value of investment	(575)	(575)
Balance at 30-06-2008	13,822	13,822

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

As at 30 June 2008 and 31 December 2007, the funds were invested as follows:

	30 June 2008 RM'000	31 December 2007 RM'000
Shares quoted in Malaysia, at cost	12,575	11,457
Fixed interest securities, at cost	-	-
Fixed deposits with licensed banks	639	4,430
Money market placement	1,183	6,990
Less : Provision for diminution in value of investment	(575)	-
Total	13,822	22,877

Market value of quoted shares	12,000	15,556
	=====	=====

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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

	30 June 2008 RM'000	31 December 2007 RM'000
Short Term Borrowings-Local Currency	6,632	6,552
Long Term Borrowings-Local Currency	79,357	84,892
	85,989	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 installments ranging between RM14,800 and RM2,940,000 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

A final dividend of 7% less tax at 26% amounting to RM8,462,000 [30 June 2007: final dividend of 7% less tax at 27%] for the financial year ended 31 December 2007 was approved by the shareholders at the Annual General Meeting on 26 June 2008 for payment on 25 July 2008 .

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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 30 June 2008	Current year-to-date ended 30 June 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	6,652	15,679
Weighted average number of ordinary shares in issue: ('000)	331,206	331,206
Basic earnings per share (sen)	2.01	4.73

(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 30 June 2008	Current year-to-date ended 30 June 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	6,652	15,679
Weighted average number of ordinary shares in issue: ('000)	331,206	331,206
Effect of dilution in share option: ('000)	8,791	8,791
Adjusted weighted average number of ordinary shares in issue: ('000)	339,997	339,997
Diluted earnings per share (sen)	1.96	4.61

B14. Authorisation for Issue

On 20th August 2008, the Board of Directors authorised this Interim Financial Report for issue.