

**PRIVATE & CONFIDENTIAL**

**PBA HOLDINGS BHD**

Company No: 515119-U  
(Incorporated in Malaysia)

**Interim Financial Report**

**30 SEPTEMBER 2008**

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**PBA HOLDINGS BHD.**  
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**Condensed Consolidated Balance Sheet**  
**At 30 September 2008**

	<b>30 September 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	637,526	619,730
Investments in jointly controlled entity	499	499
Investments	12,269	22,877
Prepaid lease payments	18,343	18,502
<b>Current assets</b>		
Inventories	16,215	15,400
Trade receivables	15,137	14,801
Other receivables	24,450	18,365
Tax recoverable	8,529	9,071
Fixed deposits	69,900	104,400
Cash and bank balances	8,328	4,458
	<u>142,558</u>	<u>166,495</u>
<b>TOTAL ASSETS</b>	<u><u>811,196</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	454,935	442,439
	<u>620,537</u>	<u>608,042</u>
Minority Interest	-	-
<b>Total Equity</b>	<u><u>620,537</u></u>	<u><u>608,042</u></u>
<b>Non-Current Liabilities</b>		
Term loans - unsecured	79,215	84,892
Deferred taxation	11,000	10,300
Provision for retirement benefits	22,971	20,814
	<u>113,186</u>	<u>116,006</u>
<b>Current Liabilities</b>		
Trade payables	917	1,862
Other payables	68,728	94,542
Term loans (unsecured)	6,552	6,552
Retirement benefit obligations	1,276	1,099
	<u>77,472</u>	<u>104,055</u>
<b>Total Liabilities</b>	190,659	220,061
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>811,196</u></u>	<u><u>828,103</u></u>
<b>Net assets per share (RM)</b>	<u><u>1.87</u></u>	<u><u>1.84</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 September 2008**

	3 months ended 30 September 2008 RM'000	3 months ended 30 September 2007 RM'000	9 months ended 30 September 2008 RM'000	9 months ended 30 September 2007 RM'000
<b>Revenue</b>	48,142	45,850	142,606	135,931
<b>Cost of Sales</b>	33,782	31,905	96,779	88,795
Gross Profit	14,360	13,945	45,827	47,136
Other income				
- Interest income	1,184	386	2,916	2,071
- Others	1,400	5,529	6,872	14,499
Administrative expenses	(12,412)	(8,947)	(32,948)	(25,681)
<b>Profit from operations</b>	4,532	10,913	22,667	38,025
Finance Cost				
- Interest expense	(6)	(3)	(12)	(14)
Share of profits of jointly controlled entity	-	-	-	-
<b>Profit before taxation</b>	4,526	10,910	22,655	38,011
Income Tax expense				
Company and subsidiaries	(869)	2,526	1,581	7,861
Jointly controlled entity	-	-	-	-
	869	(2,526)	(1,581)	(7,861)
<b>Profit after taxation</b>	5,395	8,384	21,074	30,150
Minority interest	-	-	-	-
<b>Net Profit for the period</b>	5,395	8,384	21,074	30,150
Earnings per share (sen)				
- Basic	1.63	2.53	6.36	9.11
- Diluted	1.59	2.47	6.20	8.87

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 September 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)	-	-	-	60,469	60,469
At 1 January 2008 (Restated)	165,603	161,910	405	280,124	608,042
Profit after taxation for the period	-	-	-	21,074	21,074
Final Dividend of 7% Less Tax at 26%	-	-	-	(8,578)	(8,578)
At 30 September 2008	165,603	161,910	405	292,620	620,538
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)	-	-	-	59,113	59,113
	165,579	161,881	543	253,075	581,078
Issuance of shares pursuant to ESOS	22	27	-	-	49
Profit after taxation for the period	-	-	-	30,150	30,150
Final Dividend of 7% Less Tax at 27%	-	-	-	(8,462)	(8,462)
At 30 September 2007	165,601	161,908	543	274,763	602,815

\* 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 September 2008**

	<b>9 months ended</b> <b>30 September 2008</b> <b>RM '000</b>	<b>9 months ended</b> <b>30 September 2007</b> <b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	22,655	38,011
Adjustments for -		
Depreciation	23,976	19,238
Interest expense	-	-
Interest income	(2,916)	(2,338)
Provision for retirement benefits	3,713	6,371
Other miscellaneous	1,464	(6,185)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	48,893	55,097
Net change in current assets	(3,562)	(14,276)
Net change in current liabilities	(26,790)	(6,440)
	<hr/>	<hr/>
<b>Cash generated from operations</b>	18,541	34,381
Interest paid	-	-
Retirement benefits paid	(1,350)	(868)
Tax refund /(paid)	(234)	(2,830)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	16,957	30,683
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (net)	387	895
Interest received	2,916	2,338
Proceeds from disposal of property, plant and equipment	104	5
Proceeds from disposal / withdrawal of investments	26,439	43,313
Purchase of property, plant and equipment	(46,303)	(44,195)
Purchase of investments	(16,874)	(40,313)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(33,331)	(37,957)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	(0)	48
Short term revolving credit	-	-
Term loans (net)	(5,677)	(5,677)
Dividend paid	(8,578)	(8,461)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(14,255)	(14,090)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(30,630)	(21,364)
<b>Cash and cash equivalents at 1 January</b>	108,858	83,549
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September</b>	<u>78,228</u>	<u>62,185</u>
<b>Cash and cash equivalents at 30 September</b>		
Fixed deposits	69,900	49,400
Cash and bank balances	8,328	12,785
	<hr/>	<hr/>
	<u>78,228</u>	<u>62,185</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.

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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 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

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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 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 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:

	<b>As at 1.1.2008</b>	<b>As at 1.1.2007</b>		
Increase in retained profits	60,469,000	59,113,000		
Decrease in deferred taxation	(60,469,000)	(59,113,000)		
	=====			
	<b>Current quarter</b>		<b>Current year to-date</b>	
	<b>30.9.2008</b>	<b>30.9.2007</b>	<b>30.9.2008</b>	<b>30.9.2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Decrease in profit for the period	-	1,325	-	5,411
	=====			

(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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### A3. Comparatives

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

	<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	(60,469)	10,300
Retained Earnings	219,655	60,469	280,124
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<b>9 months ended 30 September 2007</b>			
Income tax expense	2,450	5,411	7,861
Profit after taxation	35,561	(5,411)	30,150
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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 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 Sen	31 December 2007 Sen
Final dividend in respect of financial year ended 31 December 2007 of 7% less tax at 26 % paid on 21 July 2008	8,578	-	2.59	-
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
	8,578	16,924	2.59	5.10

A final dividend of 7% less tax at 26% amounting RM8,578,000 for the financial year ended 31 December 2007 as reported in the director's report of that year was paid on 21 July 2008.

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**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.

**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 September 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 September 2008 except as follows:

	30 September 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 September 2008 RM'000	31 December 2007 RM'000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the Financial Statements	118,000	151,000
(ii) Approved but not contracted for	320,000 =====	331,000 =====

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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 30 September 2008 totalled RM48.2 million and RM142.6 million, representing 5.0% and 4.9% increase over the preceding year corresponding period's revenue of RM45.9 million and RM135.9 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 RM4.5 million for the quarter under review, which is 58.5% lower than the preceding year corresponding quarter's profit before taxation of RM10.9 million. The decrease is due to the increases in cost of sales and administrative expenses and reduction in other income.

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

The Group recorded a profit before taxation of RM4.5 million for the quarter under review, as compared to RM8.2 million in the preceding quarter. The decrease is due to the increases in cost of sales and administrative expenses and provision for diminution in value of investments.

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

Revenue has been affected by a noticeable decrease in trade consumption and this poses a challenge to the Company to maintain profitability.

#### **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 September 2008 RM'000	Current year-to-date ended 30 September 2008 RM'000
Current period tax		
- Company and subsidiaries	(369)	881
- Jointly controlled entity	-	-
Transfer to deferred taxation account	(500)	700
Total	(869)	1,581

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 September 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 September 2008 RM'000
Profit before taxation	22,655
Taxation at Malaysian statutory tax rate of 26%	5,890
Effect of changes in tax rates on opening balance of deferred tax	(2,721)
Deferred tax recognised at different tax rates	(437)
Income not subject to tax	(1,164)
Expenses not deductible for tax purposes	692
Utilisation of current year reinvestment allowances	(460)
Overprovision of tax in prior years	(219)
Tax expense for the year	1,581

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

	30 September 2008 RM'000
Unutilised reinvestment allowances	248,932

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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 2008 RM'000	Current year-to-date ended 30 September 2008 RM'000
Balance at 01-07-2008 /01-01/08	13,822	22,877
Add: Purchase of investments	2,187	16,874
Less : Proceeds from disposal of investments	(2,035)	(16,439)
Add / (Less) : Gain / (Loss) on disposal of investments	(126)	1,111
Less : Withdrawal of funds	-	(10,000)
Less : Provision for diminution in value of investment	(1,579)	(2,154)
Balance at 30-09-2008	12,269	12,269

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

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

	30 September 2008 RM'000	31 December 2007 RM'000
Shares quoted in Malaysia, at cost	11,746	11,457
Fixed interest securities, at cost	-	-
Fixed deposits with licensed banks	739	4,430
Money market placement	1,938	6,990
Less : Provision for diminution in value of investment	(2,154)	-
Total	12,269	22,877

Market value of quoted shares	9,592	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 September 2008 RM'000	31 December 2007 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	79,215	84,892
	85,767	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**

The Board of Directors has declared an interim dividend of 6% less tax at 25% amounting to approximately RM7,453,000 in respect of the financial ended 31 December 2008 for the current quarter ended 30 September 2008 (30 September 2007 - No dividend was declared).

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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 September 2008	Current year-to-date ended 30 September 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	5,395	21,074
Weighted average number of ordinary shares in issue: ('000)	331,206	331,206
Basic earnings per share (sen)	1.63	6.36

#### (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 September 2008	Current year-to-date ended 30 September 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	5,395	21,074
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)	1.59	6.20

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

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