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

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

	<b>31 December 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	660,745	619,730
Investments in jointly controlled entity	1,312	499
Investments	10,888	22,877
Prepaid lease payments	17,278	18,502
<b>Current assets</b>		
Inventories	17,390	15,400
Trade receivables	13,266	14,801
Other receivables	22,546	18,365
Tax recoverable	8,653	9,071
Fixed deposits	67,900	104,400
Cash and bank balances	11,255	4,458
	<u>141,009</u>	<u>166,495</u>
<b>TOTAL ASSETS</b>	<u><u>831,232</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	458,614	442,439
	<u>624,217</u>	<u>608,042</u>
Minority Interest	-	-
<b>Total Equity</b>	<u><u>624,217</u></u>	<u><u>608,042</u></u>
<b>Non-Current Liabilities</b>		
Term loans - unsecured	78,340	84,892
Deferred taxation	6,000	10,300
Provision for retirement benefits	23,715	20,814
	<u>108,055</u>	<u>116,006</u>
<b>Current Liabilities</b>		
Trade payables	1,133	1,862
Other payables	82,262	94,542
Term loans (unsecured)	6,552	6,552
Proposed Dividend	7,452	-
Retirement benefit obligations	1,561	1,099
	<u>98,960</u>	<u>104,055</u>
<b>Total Liabilities</b>	<u>207,015</u>	<u>220,061</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>831,232</u></u>	<u><u>828,103</u></u>
<b>Net assets per share (RM)</b>	<u><u>1.88</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 31 December 2008**

	3 months ended 31 December 2008 RM'000	3 months ended 31 December 2007 RM'000	12 months ended 31 December 2008 RM'000	12 months ended 31 December 2007 RM'000
<b>Revenue</b>	45,252	45,618	187,857	181,549
<b>Cost of Sales</b>	30,023	33,028	126,801	121,823
Gross Profit	15,229	12,590	61,056	59,726
Other income				
- Interest income	639	324	3,555	2,395
- Others	2,494	6,099	9,365	20,598
Administrative expenses	(13,475)	(5,691)	(46,423)	(31,372)
<b>Profit from operations</b>	4,887	13,322	27,554	51,347
Finance Cost				
- Interest expense	(8)	(15)	(19)	(29)
Share of profits of jointly controlled entity	245	277	245	277
<b>Profit before taxation</b>	5,124	13,584	27,780	51,595
Income Tax expense				
Company and subsidiaries	(5,100)	(239)	(3,519)	7,622
Jointly controlled entity	-	-	-	-
	5,100	239	3,519	(7,622)
<b>Profit after taxation</b>	10,224	13,823	31,298	43,973
Minority interest	-	-	-	-
<b>Net Profit for the year</b>	10,224	13,823	31,298	43,973
Earnings per share (sen)				
- Basic	3.09	4.17	9.45	13.28
- Diluted	2.98	4.07	9.13	12.93

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 31 December 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
Shares options granted under ESOS			340		340
Exchange Fluctuation Reserve, representing net expense recognised directly in equity			567		567
Profit after taxation for the year	-	-	-	31,298	31,298
Total recognised income and expense for the year	-	-	567	31,298	31,865
Final Dividend of 7% Less Tax at 26%	-	-	-	(8,578)	(8,578)
Interim Dividend	-	-	-	(7,452)	(7,452)
At 31 December 2008	165,603	161,910	1,312	295,392	624,217
At 1 January 2007 (As previously stated)	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
At 1 January 2007 (Restated)	165,579	161,881	543	253,075	581,078
Issuance of shares pursuant to ESOS	24	29	-	-	53
Shares options granted under ESOS			395		395
Exchange Fluctuation Reserve, representing net expense recognised directly in equity			(533)		(533)
Profit after taxation for the year	-	-	-	43,973	43,973
Total recognised income and expense for the year			(533)	43,973	43,440
Final dividend of 7% less tax at 27%	-	-	-	(8,462)	(8,462)
Interim dividend of 7% less tax at 27%	-	-	-	(8,462)	(8,462)
At 31 December 2007	165,603	161,910	405	280,124	608,042

\* 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 31 December 2008**

	<b>12 months ended 31 December 2008 RM '000</b>	<b>12 months ended 31 December 2007 RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	27,780	51,595
Adjustments for -		
Depreciation	33,791	29,735
Interest expense	-	-
Interest income	(3,555)	(2,755)
Provision for retirement benefits	4,998	4,741
Other miscellaneous	6,637	(9,066)
<b>Operating profit before working capital changes</b>	<b>69,650</b>	<b>74,250</b>
Net change in current assets	(1,665)	4,278
Net change in current liabilities	(13,011)	26,415
<b>Cash generated from operations</b>	<b>54,974</b>	<b>104,943</b>
Interest paid	-	-
Retirement benefits paid	(1,635)	(1,193)
Tax refund /(paid)	(234)	(3,783)
<b>Net cash from operating activities</b>	<b>53,105</b>	<b>99,967</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (net)	500	935
Interest received	3,555	2,755
Proceeds from disposal of property, plant and equipment	531	13
Proceeds from disposal/withdrawal of investments	28,195	97,900
Purchase of property, plant and equipment	(81,670)	(71,688)
Purchase of investments	(18,768)	(81,073)
Prepaid land lease payments	(20)	(77)
<b>Net cash used in investing activities</b>	<b>(67,678)</b>	<b>(51,235)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	(0)	53
Short term revolving credit	-	-
Term loans (net)	(6,552)	(6,552)
Dividend paid	(8,578)	(16,924)
<b>Net cash used in financing activities</b>	<b>(15,130)</b>	<b>(23,423)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(29,703)</b>	<b>25,309</b>
<b>Cash and cash equivalents at 1 January</b>	<b>108,858</b>	<b>83,549</b>
<b>Cash and cash equivalents at 30 December</b>	<b>79,155</b>	<b>108,858</b>
<b>Cash and cash equivalents at 30 December</b>		
Fixed deposits	67,900	104,400
Cash and bank balances	11,255	4,458
	<b>79,155</b>	<b>108,858</b>

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 did 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 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>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Increase in profit for the year	-	(6,767)	-	(1,356)
	=====			

(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
<hr/> <hr/>			
<b>12 months ended 31 December 2007</b>			
Income tax expense	8,978	(1,356)	7,622
Profit after taxation	42,617	1,356	43,973
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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 December 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	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 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 31 December 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 December 2008 except as follows:

	31 December 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	479 =====	565 =====

**A15. Capital Commitments**

	31 December 2008 RM'000	31 December 2007 RM'000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the Financial Statements	96,000	151,000
(ii) Approved but not contracted for	309,000 =====	331,000 =====

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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 current financial year to-date ended 31 December 2008 totalled RM45.3 million and RM187.9 million, representing -0.7% and 3.5% decrease/increase over the preceding year corresponding period's revenue of RM45.6 million and RM181.5 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 RM5.1 million for the quarter under review, which is 62.5% lower than the preceding year corresponding quarter's profit before taxation of RM13.6 million. The decrease is due to the decrease in other income and increases in 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 RM5.1 million for the quarter under review as compared to RM4.5 million in the preceding quarter which due mainly to provision for diminution in value of investments in the preceding quarter.

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

Revenue from sales of water continued to be affected by the decreasing trend in trade consumption and this poses a challenge to the Company to maintain profitability for the coming year.

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

Not applicable.

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### B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 31 December 2008 RM'000	Current year-to-date ended 31 December 2008 RM'000
Current period tax		
- Company and subsidiaries	(100)	781
- Jointly controlled entity	-	-
Transfer to deferred taxation account	(5,000)	(4,300)
Total	(5,100)	(3,519)

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 31 December 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 December 2008 RM'000
Profit before taxation	27,780
Taxation at Malaysian statutory tax rate of 26%	7,223
Effect of changes in tax rates on opening balance of deferred tax	(397)
Deferred tax recognised at different tax rates	(337)
Income not subject to tax	(69)
Expenses not deductible for tax purposes	2,796
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(12,516)
Overprovision of tax in prior years	(219)
Tax expense for the year	(3,519)

The unutilised reinvestment allowances and unabsorbed capital allowances as at 31 December 2008 are as follows:

	31 December 2008 RM'000
Unutilised reinvestment allowances	282,525
Unabsorbed capital allowances	14,928

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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 December 2008 RM'000	Current year-to-date ended 31 December 2008 RM'000
Balance at 01-10-2008 /01-01/08	12,269	22,877
Add: Purchase of investments	1,894	18,768
Less : Proceeds from disposal of investments	(1,756)	(18,195)
Add / (Less) : Gain / (Loss) on disposal of investments	(1,553)	(442)
Less : Withdrawal of funds	-	(10,000)
Less : Provision for diminution in value of investment	34	(2,120)
Balance at 31-12-08	10,888	10,888

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

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

	31 December 2008 RM'000	31 December 2007 RM'000
Shares quoted in Malaysia, at cost	9,398	11,457
Fixed interest securities, at cost	-	-
Fixed deposits with licensed banks	601	4,430
Money market placement	3,009	6,990
Less : Provision for diminution in value of investment	(2,120)	-
Total	10,888	22,877

Market value of quoted shares	7,278	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**

	31 December 2008 RM'000	31 December 2007 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	78,340	84,892
	84,892	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 recommends a final dividend of 4% less tax at 25% in respect of the financial year ended 31 December 2008 subject to the approvals of shareholders at the forthcoming Annual General Meeting (31 December 2007 – final dividend of 7% less tax at 26% amounting to RM8,578,000).

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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 December 2008	Current year-to-date ended 31 December 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	10,224	31,298
Weighted average number of ordinary shares in issue: ('000)	331,206	331,206
Basic earnings per share (sen)	3.09	9.45

#### (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 December 2008	Current year-to-date ended 31 December 2008
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	10,224	31,298
Weighted average number of ordinary shares in issue: ('000)	331,206	331,206
Effect of dilution in share option: ('000)	11,623	11,623
Adjusted weighted average number of ordinary shares in issue: ('000)	342,829	342,829
Diluted earnings per share (sen)	2.98	9.13

### B14. Authorisation for Issue

On 12 February 2009, the Board of Directors authorised this Interim Financial Report for issue.