

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 JUNE 2009

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PBA HOLDINGS BHD.
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Condensed Consolidated Balance Sheet
At 30 June 2009

| | 30 June 2009 RM '000 | 31 December 2008 RM '000 |
|--|---------------------------------------|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 668,174 | 660,745 |
| Investments in jointly controlled entity | 1,305 | 1,305 |
| Investments | 13,550 | 10,888 |
| Prepaid lease payments | 17,155 | 17,278 |
| Current assets | | |
| Inventories | 18,121 | 17,390 |
| Trade receivables | 8,150 | 12,258 |
| Other receivables | 25,450 | 26,354 |
| Tax recoverable | 8,343 | 8,653 |
| Fixed deposits | 68,900 | 67,900 |
| Cash and bank balances | (432) | 12,264 |
| | <u>128,531</u> | <u>144,819</u> |
| TOTAL ASSETS | <u><u>828,716</u></u> | <u><u>835,035</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share Capital | 165,603 | 165,603 |
| Reserves | 464,673 | 458,608 |
| | <u>630,276</u> | <u>624,211</u> |
| Minority Interest | - | - |
| Total Equity | <u><u>630,276</u></u> | <u><u>624,211</u></u> |
| Non-Current Liabilities | | |
| Term loans - unsecured | 72,405 | 78,340 |
| Deferred taxation | 5,000 | 6,000 |
| Provision for retirement benefits | 23,843 | 23,631 |
| | <u>101,249</u> | <u>107,971</u> |
| Current Liabilities | | |
| Trade payables | 1,886 | 1,133 |
| Other payables | 85,309 | 86,071 |
| Term loans (unsecured) | 7,032 | 6,552 |
| Proposed Dividend | - | 7,452 |
| Retirement benefit obligations | 2,964 | 1,645 |
| | <u>97,191</u> | <u>102,853</u> |
| Total Liabilities | <u>198,440</u> | <u>210,824</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>828,716</u></u> | <u><u>835,035</u></u> |
| Net assets per share (RM) | <u><u>1.90</u></u> | <u><u>1.88</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 2008.

PBA HOLDINGS BHD.
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Condensed Consolidated Income Statements
For the period ended 30 June 2009

| | 3 months ended 30 June 2009 RM'000 | 3 months ended 30 June 2008 RM'000 | 6 months ended 30 June 2009 RM'000 | 6 months ended 30 June 2008 RM'000 |
|---|---|---|---|---|
| Revenue | 45,616 | 46,392 | 89,907 | 94,464 |
| Cost of Sales | 35,375 | 30,528 | 70,118 | 62,997 |
| Gross Profit | 10,240 | 15,864 | 19,788 | 31,467 |
| Other income | | | | |
| - Interest income | 632 | 921 | 1,070 | 1,732 |
| - Others | 3,064 | 1,655 | 4,686 | 5,472 |
| Administrative expenses | (10,747) | (10,283) | (20,196) | (20,536) |
| Profit from operations | 3,189 | 8,157 | 5,348 | 18,135 |
| Finance Cost | | | | |
| - Interest expense | (7) | (5) | (19) | (6) |
| Share of profits of jointly controlled entity | - | - | - | - |
| Profit before taxation | 3,182 | 8,152 | 5,329 | 18,129 |
| Income Tax expense | | | | |
| Company and subsidiaries | 143 | 1,500 | (737) | 2,450 |
| Jointly controlled entity | - | - | - | - |
| | (143) | (1,500) | 737 | (2,450) |
| Profit after taxation | 3,039 | 6,652 | 6,066 | 15,679 |
| Minority interest | - | - | - | - |
| Net Profit for the period | 3,039 | 6,652 | 6,066 | 15,679 |
| Earnings per share (sen) | | | | |
| - Basic | 0.92 | 2.01 | 1.83 | 4.73 |
| - Diluted | 0.89 | 1.96 | 1.77 | 4.61 |

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2009

| | Share capital RM 000 | Treasury Share RM 000 | Share Premium RM 000 | Other Reserves RM 000 | Distributable Retained profits RM 000 | Total RM 000 |
|--|----------------------------|-----------------------------|----------------------------|-----------------------------|--|-----------------|
| At 1 January 2009 | 165,603 | - | 161,910 | 1,269 | 295,429 | 624,211 |
| Total recognised income and expense for the period | - | - | - | - | 6,066 | 6,066 |
| Purchase of treasury share | - | (1) | - | - | - | (1) |
| At 30 Jun 2009 | <u>165,603</u> | <u>(1)</u> | <u>161,910</u> | <u>1,269</u> | <u>301,495</u> | <u>630,276</u> |
| At 1 January 2008 | 165,603 | - | 161,910 | 405 | 219,655 | 547,573 |
| Effect of adopting revised FRS112 | - | - | - | - | 60,959 | 60,959 |
| At 1 January 2008 (Restated) | 165,603 | - | 161,910 | 405 | 280,614 | 608,532 |
| Total recognised income and expense for the period | - | - | - | - | 15,679 | 15,679 |
| At 30 Jun 2008 | <u>165,603</u> | <u>-</u> | <u>161,910</u> | <u>405</u> | <u>296,293</u> | <u>624,211</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 2008.

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Condensed Consolidated Cash Flow Statement
For the period ended 30 June 2009

| | 6 months ended 30 June 2009 RM '000 | 6 months ended 30 June 2008 RM '000 |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 5,329 | 18,129 |
| Adjustments for - | | |
| Depreciation | 17,108 | 16,575 |
| Interest expense | - | - |
| Interest income | (1,070) | (1,918) |
| Provision for retirement benefits | 2,657 | 2,471 |
| Other miscellaneous | (1,997) | (272) |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 22,027 | 34,985 |
| Net change in current assets | 3,775 | (4,615) |
| Net change in current liabilities | (7) | (24,710) |
| | <hr/> | <hr/> |
| Cash generated from operations | 25,794 | 5,660 |
| Interest paid | - | - |
| Retirement benefits paid | (1,126) | (1,134) |
| Tax refund /(paid) | 66 | 266 |
| | <hr/> | <hr/> |
| Net cash from operating activities | 24,734 | 4,792 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received (net) | 149 | 251 |
| Interest received | 1,070 | 1,918 |
| Proceeds from disposal of property, plant and equipment | 40 | 58 |
| Proceeds from disposal/withdrawal of investments | 11,658 | 24,404 |
| Purchase of property, plant and equipment | (24,600) | (26,174) |
| Purchase of investments | (11,839) | (14,687) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (23,521) | (14,230) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Short term revolving credit | - | - |
| Treasury Shares | (1) | - |
| Term loans (net) | (5,455) | (5,455) |
| Dividend paid | (7,452) | - |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (12,908) | (5,455) |
| Net (decrease) / increase in cash and cash equivalents | (11,696) | (14,893) |
| Cash and cash equivalents at 1 January | 80,163 | 108,858 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at 30 Jun | 68,468 | 93,965 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Cash and cash equivalents at 30 Jun | | |
| Fixed deposits | 68,900 | 80,900 |
| Cash and bank balances | (432) | 13,065 |
| | <hr/> | <hr/> |
| | 68,468 | 93,965 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 2008.

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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 2008. 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 2008.

A2. Changes in Accounting Policies and Effects Arising from Adoption of 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 2008 except for the following new FRSs and interpretations have been issued but are not yet effective and have not been applied by the Group and the company:-

| FRSs and interpretations | Effective for financial periods beginning on or after |
|--|--|
| FRS 7: Financial Instruments : Disclosures | 1 January 2010 |
| FRS 8: Operating Segments | 1 July 2009 |
| FRS 139: Financial Instruments: Recognition and Measurement | 1 January 2010 |
| IC Interpretation 9: Reassessment of Embedded Derivatives | 1 January 2010 |
| IC Interpretation 10: Interim Financial Reporting and Impairment | 1 January 2010 |

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

The other new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in the disclosure arising from adoption of FRS 8.

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Notes to the Interim Financial Report

A3. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2008 was not subject to any qualification.

A4. Comments about seasonal or cyclical factors

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

A5. 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 2009.

A6. 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.

A7. Debt and equity securities

There is no issuance and repayment of debt and equity securities, share cancellations, and resale of treasury shares except for the following

(a) Treasury Shares

During the current quarter ended 30 June 2009, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM1.00 per share. The total consideration paid for the repurchase was RM1,041, comprising of consideration paid to amounting RM1,000 and transaction costs of RM41. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 331,206,000 issued and fully paid ordinary shares as at 30 June 2009, 1,000 are held as treasury shares by the Company. As at 30 June 2009, the number of outstanding ordinary shares in issue after setoff is therefore 331,205,000 ordinary shares of RM0.50 each.

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Notes to the Interim Financial Report

A8. Dividends paid

| | Amount | | Net dividends per share | |
|---|--------------------------|--------------------------|-------------------------|-----------------------|
| | 30-Jun 2009 RM'000 | 31-Dec 2008 RM'000 | 30-Jun 2009 Sen | 31-Dec 2008 Sen |
| In respect of financial year ended 31 December 2007: | | | | |
| Final dividend of 7% less tax at 26 % paid on 25 July 2008 | - | 8,578 | - | 2.59 |
| In respect of financial year ended 31 December 2008: | | | | |
| Interim dividend of 6% less tax at 25% paid on 9 January 2009 | - | 7,452 | - | 2.25 |
| | - | 16,030 | - | 4.84 |

The directors recommended a final dividend of 4% less tax at 25% for the financial year ended 31 December 2008 at the Annual General Meeting. The financial statements for the current financial period do not reflect this final dividend. The dividend has been approved by the shareholders and it will be accounted for in shareholders' equity as appropriation of retained earnings in the financial year ending 31 December 2009.

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Notes to the Interim Financial Report

A9. 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.

A10. 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.

A11. Subsequent events

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

A12. 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 2009.

A13. 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 2009 except as follows:

| | 30 June 2009 RM'000 | 31 December 2008 RM'000 |
|--|------------------------|----------------------------|
| Corporate Guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity | 479 ===== | 479 ===== |

A14. Capital Commitments

| | 30 June 2009 RM'000 | 31 December 2008 RM'000 |
|---|------------------------|----------------------------|
| Approved Capital Expenditures: - | | |
| (i) Contracted but not provided for in the Financial Statements | 64,000 | 96,000 |
| (ii) Approved but not contracted for | 304,000 ===== | 308,000 ===== |

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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 2009 totalled RM45.6 million and RM89.9 million, representing a 1.7% and 4.9% decrease over the preceding year corresponding periods' revenue of RM46.4 million and RM94.5 million respectively. The decrease was due to reduction in sales of water and trunk mains contribution in Penang.

The Group recorded a profit before taxation of RM3.2 million for the quarter under review, which is 61.0% lower than the preceding year corresponding quarter's profit before taxation of RM8.2 million. The decrease is due to the reduction in revenue and increases 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 RM3.2 million for the quarter under review as compared to RM2.1 million in the preceding quarter due mainly to higher revenue and other income in the current quarter.

B3. Commentary on the prospects

Revenue from trade sales of water has shown slight improvement and the trend is expected to sustain in 2nd half of the year. Nevertheless the Board remains mindful on measures implemented to mitigate escalating costs and the economic conditions of the Company.

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 2009 RM'000 | Current year-to-date ended 30 June 2009 RM'000 |
|---------------------------------------|--|---|
| Current period tax | | |
| - Company and subsidiaries | 143 | 263 |
| - Jointly controlled entity | - | - |
| Transfer to deferred taxation account | - | (1,000) |
| Total | 143 | (737) |

The lower tax charge of the Group is 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 year to-date is as follows:

| | 30 June 2009 RM'000 |
|---|------------------------|
| Profit before taxation | 5,329 |
| Taxation at Malaysian statutory tax rate of 25% | 1,332 |
| Income not subject to tax | (631) |
| Expenses not deductible for tax purposes | 612 |
| Deferred tax assets recognised in respect of unutilised reinvestment allowances | (1,168) |
| Overprovision of deferred tax in prior years | (882) |
| Tax expense for the year | (737) |

The unutilised reinvestment allowances and unabsorbed capital allowances of the Group are available indefinitely for off setting against future taxable profits subject to no substantial changes in shareholdings of the individual subsidiaries under the Income Tax Act 1967, and guidelines issued by the tax authority.

| | 30 June 2009 RM'000 |
|------------------------------------|------------------------|
| Unutilised reinvestment allowances | 287,195 |
| Unabsorbed capital allowances | 17,997 |

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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 2009 RM'000 | Current year-to-date ended 30 June 2009 RM'000 |
|--|--|---|
| Balance at 01-04-09/01-01-09 | 12,865 | 13,008 |
| Add: Purchase of investments | 9,517 | 11,839 |
| Less : Proceeds from disposal of investments | (9,434) | (11,658) |
| Gain on disposal of investments | 719 | 478 |
| Gross Balance 30-6-09 | 13,667 | 13,667 |
| Less : Provision for diminution in value of investment | (117) | (117) |
| Net Balance at 30-6-09 | 13,550 | 13,550 |

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

As at 30 June 2009 and 31 December 2008, the funds were invested as follows:

| | 30 June 2009 RM'000 | 31 December 2008 RM'000 |
|--|------------------------|----------------------------|
| Shares quoted in Malaysia, at cost | 10,012 | 9,398 |
| Fixed deposits with licensed banks | 508 | 601 |
| Money market placement | 3,147 | 3,009 |
| Less : Provision for diminution in value of investment | (117) | (2,120) |
| Total | 13,550 | 10,888 |

| | | |
|-------------------------------|-------|-------|
| Market value of quoted shares | 9,895 | 7,278 |
| | ===== | ===== |

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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 except for the proposed purchase by the Company of its own Shares. On 9 June 2009, the shareholders of the Company has approved the proposed purchase and/or hold its own Shares of up to maximum of ten (10%) of the issued and paid-up share capital of the Company at any point in time subject to compliance with Section 67A of the Companies Act, 1965, Part IIIA of the Companies Regulations 1966, the Listing Requirements and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities. The purchase of the Company's own Shares will be carried out on Bursa Securities through appointed stockbrokers.

B9. Borrowing and debt securities

| | 30 June 2009 RM'000 | 31 December 2008 RM'000 |
|--------------------------------------|------------------------|----------------------------|
| Short Term Borrowings-Local Currency | 7,032 | 6,552 |
| Long Term Borrowings-Local Currency | 72,405 | 78,340 |
| | 79,437 | 84,892 |

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

The term loans are repayable over a period of 9 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 4% less tax at 25% amounting to RM4,968,000 (30 June 2008 : final dividend of 7% less tax at 26%) for the financial year ended 31 December 2008 was approved by the shareholders at the Annual General Meeting on 9 June 2009 and paid on 17 July 2009.

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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 2009 | Current year-to-date ended 30 June 2009 |
|---|--|---|
| Group's profit after taxation attributable to ordinary shareholders: (RM'000) | 3,039 | 6,066 |
| Weighted average number of ordinary shares in issue: ('000) | 331,205 | 331,205 |
| Basic earnings per share (sen) | 0.92 | 1.83 |

(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 2009 | Current year-to-date ended 30 June 2009 |
|---|--|---|
| Group's profit after taxation attributable to ordinary shareholders: (RM'000) | 3,039 | 6,066 |
| Weighted average number of ordinary shares in issue: ('000) | 331,205 | 331,205 |
| Effect of dilution in share option: ('000) | 11,623 | 11,623 |
| Adjusted weighted average number of ordinary shares in issue: ('000) | 342,828 | 342,828 |
| Diluted earnings per share (sen) | 0.89 | 1.77 |

B14. Authorisation for Issue

On 6 August 2009, the Board of Directors authorised this Interim Financial Report for issue.