

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

31 MARCH 2011

Contents

	Page
Interim Financial Report	
Condensed Consolidated Statement of Financial Position	1
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Changes in Equity	3 - 4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Consolidated Interim Financial Statements	6 - 14

Condensed Consolidated Statement of Financial Position
As at 31 March 2011 - unaudited

	Note	31 March 2011 RM'000	31 December 2010 RM'000
Assets			
Property, plant and equipment	5	725,751	721,109
Investment in a jointly controlled entity		803	803
Other investments	19	<u>26,122</u>	<u>24,606</u>
Total non-current assets		<u>752,675</u>	<u>746,518</u>
Inventories		12,958	13,571
Trade and other receivables		40,791	40,109
Current tax assets		2,160	5,017
Cash and cash equivalents		<u>70,131</u>	<u>66,425</u>
Total current assets		<u>126,039</u>	<u>125,122</u>
Total assets		<u>878,715</u>	<u>871,640</u>
Equity			
Share capital		165,635	165,635
Reserves		<u>493,752</u>	<u>482,648</u>
Total equity	7	<u>659,388</u>	<u>648,283</u>
Employee benefits		21,177	28,835
Term loans	21	60,181	65,236
Deferrad tax liabilities		<u>12,800</u>	<u>11,000</u>
Total non-current liabilities		<u>94,158</u>	<u>105,071</u>
Trade and other payables		104,642	109,640
Employee benefits		8,920	2,094
Term loans	21	<u>11,607</u>	<u>6,552</u>
Total current liabilities		<u>125,169</u>	<u>118,286</u>
Total liabilities		<u>219,327</u>	<u>223,357</u>
Total equity and liabilities		<u>878,715</u>	<u>871,640</u>

Condensed Consolidated Statement of Comprehensive Income
For the three month ended 31 March 2011 - unaudited

	Note	Three months ended 31 March		Current year-to-date ended 31 March	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations					
Revenue		56,313	48,854	56,313	48,854
Cost of sales		<u>(36,818)</u>	<u>(34,942)</u>	<u>(36,818)</u>	<u>(34,942)</u>
Gross profit		19,495	13,912	19,495	13,912
Other operating income		3,669	2,970	3,669	2,970
Administrative expenses		<u>(10,383)</u>	<u>(10,515)</u>	<u>(10,383)</u>	<u>(10,515)</u>
Operating profit		<u>12,781</u>	<u>6,367</u>	<u>12,781</u>	<u>6,367</u>
Interest income		468	291	468	291
Finance cost - Bank charges		<u>(6)</u>	<u>(3)</u>	<u>(6)</u>	<u>(3)</u>
Net finance cost		462	288	462	288
Share of profit of jointly controlled entity, net of tax		-	-	-	-
Profit before tax		<u>13,243</u>	<u>6,655</u>	<u>13,243</u>	<u>6,655</u>
Income tax expenses	17	<u>(2,208)</u>	<u>(1,281)</u>	<u>(2,208)</u>	<u>(1,281)</u>
Profit for the period		<u>11,035</u>	<u>5,374</u>	<u>11,035</u>	<u>5,374</u>
Other comprehensive income for the period	19	70	456	70	456
Total comprehensive income for the period		<u>11,105</u>	<u>5,830</u>	<u>11,105</u>	<u>5,830</u>
Profit for the period attributable to owners of the company		<u>11,035</u>	<u>5,374</u>	<u>11,035</u>	<u>5,374</u>
Total comprehensive income attributable to owners of the company		11,105	5,830	11,105	5,830
Basic earnings per ordinary share (sen) :	25	<u>3.33</u>	<u>1.62</u>	<u>3.33</u>	<u>1.62</u>

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2010 - unaudited

	/-----Non-distributable-----/					Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2010	165,635	(2)	161,944	868	-	331	301,985	630,761
Effect of adopting FRS 139	-	-	-	-	1,652	-	-	1,652
At 1 January 2010, as restated	165,635	(2)	161,944	868	1,652	331	301,985	632,413
Total comprehensive income for the period	-	-	-	-	456	-	5,374	5,830
At 31 March 2010	165,635	(2)	161,944	868	2,108	331	307,359	638,243

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2011 - unaudited

	/-----Non-distributable-----/					Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Share option reserve RM'000	Fair value reserve RM'000	Foreign Currency Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2011	165,635	(4)	161,944	-	3,471	(154)	317,391	648,283
Total comprehensive income for the period	-	-	-	-	70	-	11,035	11,105
Dividends	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-
At 31 March 2011	165,635	(4)	161,944	-	3,541	(154)	328,426	659,388

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2011 - unaudited

Note	Three months ended 31 March	
	2011 RM'000	2010 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	13,243	6,655
	<u>13,243</u>	<u>6,655</u>
Adjustment for :		
Depreciation of property, plant and equipment	9,821	9,383
Net change in provisions	-	2,265
Gain on disposal of other investments	(1,272)	(756)
Gain on disposal of property, plant and equipment	(1)	(4)
Property, plant & equipment written off	10	43
Dividend income	(173)	(132)
Interest income	(536)	(354)
	<u>21,091</u>	<u>17,100</u>
Operating profit before changes in working capital		
Inventories	614	(1,065)
Trade and other receivables	(594)	510
Trade and other payables	(5,065)	(4,060)
	<u>16,046</u>	<u>12,485</u>
Cash generated from operations		
Retirement benefits paid	(833)	(1,116)
Income tax refunded / (paid)	2,471	(389)
	<u>17,683</u>	<u>10,980</u>
Net cash from operating activities		
Cash flows from investing activities		
Dividends received	151	123
Interest received	536	354
Proceeds from disposal of other investments	19 8,651	12,336
Proceeds from disposal of property, plant and equipment	9	4
Purchase of other investments	19 (8,825)	(12,478)
Purchase of property, plant and equipment	(14,500)	(9,551)
	<u>(13,978)</u>	<u>(9,212)</u>
Net cash used in investing activities		
Cash flow from financing activities		
Repayment of term loans	-	(5,055)
	<u>-</u>	<u>(5,055)</u>
Net cash used in financing activities		
Net increase / (decrease) in cash and cash equivalents	3,706	(3,287)
Cash and cash equivalents at 1 January	66,425	62,307
	<u>70,131</u>	<u>59,020</u>
Cash and cash equivalents at 31 March		

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flow comprise :

	Three months ended 31 March	
	2011 RM'000	2010 RM'000
Cash and bank balances	8,231	6,120
Short-term deposits with licensed banks	61,900	52,900
	<u>70,131</u>	<u>59,020</u>

Notes to the Condensed Consolidated Interim Financial Statements

PBA Holdings Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Condensed Consolidated Interim Financial Statements of the Group as at and for the three months period ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2010 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were approved by Board of Directors on 20 May 2011.

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and FRS 134, *Interim Financing Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

2. Significant accounting policies

Except for the new Financial Reporting Standards, Amendments and Interpretations applicable to the Group effective from 1 January 2011 as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statement as at and for the year ended 31 December 2010.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Addition Exemption for First-time Adopters
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an arrangement contains a Lease
- Improvements to FRSs (2010)

The adoption of the above FRSs, Amendments and Interpretations did not result in a significant change in accounting policies and presentation of the financial results of the Group.

The following revised FRSs, new IC Interpretations and Amendments to FRSs applicable to the Group has been issued by the MASB and are effective for annual periods commencing on or after 1 July 2011 and 1 January 2012, and have yet to be adopted by the Group.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

FRS 124, Related Party Disclosures (revised)

Notes to the Condensed Consolidated Interim Financial Statements

2. Significant accounting policies (continued)

The initial application of the above FRSs and amendments to FRSs and Interpretation is not expected to have any significant impact on the Group.

3. Changes in estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2010.

4. Seasonality of operations

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

5. Property, plant and equipment**a) Acquisition and disposals**

During the three months ended 31 March 2011 the Group acquired assets with a cost of RM14.50 million (three months ended 31 March 2010: RM9.55 million).

Other assets with a carrying amount of RM9,500 were disposed off during the three months ended 31 March 2011 (three months ended 31 March 2010: RM43,000), resulting in a gain on disposal of RM1,200 (three months ended 31 March 2010: gain of RM4,000), which is included in other income.

b) Capital Commitments

	At 31 March 2011 RM'000	At 31 December 2010 RM'000
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	66,000	64,000
ii) Approved but not contracted for	231,000	247,000

6. Assets classified as held for sale

During the three months ended 31 March 2011, the subsidiary company planned to dispose off 50 units of unoccupied residential premises and the sale is expected to complete by year 2011. The net book value of the assets held for sale as at 31 March 2011 is RM1,309,000.

7. Share capital and share premium

No additional issuance of share capital and share premium as at 31 March 2011 (31 March 2010: nil).

Notes to the Condensed Consolidated Interim Financial Statements

8. 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 2011.

9. Operating segments

There is only one business segment being to abstract raw water, treat, supply and distribute water in the state of Penang. Other operation of the Group mainly comprise investment holding, provision of water bottling services and training facilities none of which constitutes a separately reportable segment.

10. Subsequent event

There are no material events subsequent to the statement of financial position date up to the date of the issue of this report.

11. Contingencies

Group

A claim in court against the Group by a third party in 2010 for damages for the supply of goods and services has been successfully referred for arbitration during the year 2010.

The Directors are of the opinion that the Arbitrator in the Arbitration proceeding will allow part of the relief claimed by both parties, i.e part of the relief claimed by the Claimant and part of the relief by the Respondent. Taking into the account the entire facts of both parties, the Directors are of the opinion that both parties may set off their claims respectively.

Company

	At 31 March 2010 RM'000	At 31 December 2010 RM'000
Corporate guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	225	225

12. Related parties

No disclosure of related party transactions is required in the financial statements of state-controlled enterprises of transactions with other state-controlled enterprises as permitted by FRS 124 – Related Party Disclosures.

Notes to the Condensed Consolidated Interim Financial Statements

**NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:
Chapter 9, Appendix 9B, Part A.****13. Review of Group performance**

Group revenue for the quarter ended 31 March 2011 increased by RM7.5 million or 15.3% as compared to the preceding year corresponding quarter 2010. Group profit before tax of RM13.2 million increased by 99.0% as compared to the preceding year corresponding quarter of RM6.7 million. The increases were mainly due to the improved sale of water revenue from trade consumers.

14. Variation of results against preceding quarter

Group revenue increased from RM50.4 million to RM56.3 million as compared to the immediate preceding quarter. Group profit before tax of RM13.2 million was up by RM0.3 million compared to the immediate preceding quarter of RM12.9 million largely due to the increased in trade revenue.

15. Current year prospects

The Group is expected to achieve satisfactory results for the year ending 31 December 2011. Nevertheless, the Board remains mindful on measures implemented to mitigate escalating costs and the prevailing economic conditions.

16. Profit forecast or profit guarantee

Not applicable.

17. Income Tax expense

	Three months ended 31 March		Current year-to-date ended 31 March	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current income tax				
Malaysian - current year	408	131	408	131
- prior year	-	-	-	-
	<u>408</u>	<u>131</u>	<u>408</u>	<u>131</u>
Deferred Tax				
- Origination and reversal of temporary differences	1,800	1,150	1,800	1,150
- Prior Year	-	-	-	-
	<u>1,800</u>	<u>1,150</u>	<u>1,800</u>	<u>1,150</u>
Income tax expense from continuing operations	<u>2,208</u>	<u>1,281</u>	<u>2,208</u>	<u>1,281</u>

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax expected for the full year applied to the pre-tax income of the interim period.

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

Notes to the Condensed Consolidated Interim Financial Statements

17. Income Tax expense (continued)

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 2011 RM'000
Profit before taxation	13,243
Taxation at Malaysian statutory tax rate of 25%	3,311
Income not subject to tax	(338)
Expenses not deductible for tax purposes	5
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(534)
Other item	(236)
Tax expense for the year	2,208

The unutilised reinvestment allowances and unabsorbed capital allowances of the Group are available indefinitely for off setting against future taxable profits.

	31 March 2011 RM'000
Unutilised reinvestment allowances	301,649
Unabsorbed capital allowances	-

18. Unquoted investments and properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period to date.

Notes to the Condensed Consolidated Interim Financial Statements

19. Other investments

Other investments comprise quoted investments in equity managed by external fund management companies in accordance with the terms of respective Investment Management mandate.

(a) The total purchase consideration and sale proceeds of investments for the quarter ended 31 March 2011 and financial year to-date 31 March 2011 and gain/loss arising there from are as follows:

	Three months ended 31 March 2011 RM'000	Year-to-date 31 March 2010 RM'000
Balance at 01-01-11	24,606	24,606
Add : Purchase of investments	8,825	8,825
Less : Proceeds from disposal of investments	(8,651)	(8,651)
Gain on disposal of investments	1,272	1,272
Fair value of quoted investments	70	70
Gross Balance at 31-03-11	26,122	26,122

(b) As at 31 March 2011 and 31 December 2010, the funds were invested as follows:

	Three months ended 31 March 2011 RM'000	Year-to-date 31 December 2010 RM'000
Shares quoted in Malaysia, at fair value	22,831	20,918
Fixed deposits with licensed banks	616	1,327
Money market placement	2,674	2,361
Total	26,122	24,606

20. Corporate proposals

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

Notes to the Condensed Consolidated Interim Financial Statements

21. Loans and borrowings

	Currency	At 31 March 2010 RM'000	At 31 December 2010 RM'000
Non-current			
<i>Unsecured:</i>			
Term Loan from Penang State Government	RM	60,181	65,236
Current			
<i>Unsecured:</i>			
Term Loan from Penang State Government	RM	11,607	6,552
Total loans and borrowings		<u>71,788</u>	<u>71,788</u>

(a) Issues and repayment schedule

The following current loans and borrowings were repaid during the three months ended 31 March 2011:

	Interest Rate Nominal	Face value RM'000	Carrying amount RM'000
Repayments			
Unsecured term loans	0%	-	-

The unsecured and interest free term loans were obtained from the State Government of Penang to finance major water projects.

22. Off balance sheet financial instrument

The Group does not have any financial instruments with off balance sheet risk as at 20 May 2011, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

23. Material litigation

As at 20 May 2011, there was no material litigation against the Group except as disclosed in note 11.

24. Dividends

The Board of Directors recommend a final tax exempt dividend of 3% amounting to RM4,969,000 in respect of the financial year ended 31 December 2010 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2009 – final tax exempt dividend of 4% amounting to RM6,625,000).

Notes to the Condensed Consolidated Interim Financial Statements

25. Earnings per ordinary share

Basic earnings per ordinary shareholders

	Three months ended 31 March 2011 Continuing operations RM'000	Three months ended 31 March 2010 Continuing operations RM'000	Current year-to-date 31 March 2011 Continuing operations RM'000	Current year-to-date 31 March 2010 Continuing operations RM'000
Profit for the period	11,035	5,374	11,035	5,374
	Three months ended 31 March 2011 '000 Shares	Three months ended 31 March 2010 '000 Shares	Current year-to-date 31 March 2011 '000 Shares	Current year-to-date 31 March 2010 '000 Shares
Issued ordinary shares at 1 January	331,266	331,230	331,266	331,230
Effect of share buyback	-	-	-	-
Weighted average number of ordinary shares	331,266	331,230	331,266	331,230
	Three months ended 31 March 2011 Continuing operations Sen	Three months ended 31 March 2010 Continuing operations Sen	Current year-to-date 31 March 2011 Continuing operations Sen	Current year-to-date 31 March 2010 Continuing operations Sen
Basic earnings per ordinary share	3.33	1.62	3.33	1.62

Notes to the Condensed Consolidated Interim Financial Statements

26. Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 31 March 2011, into realised and unrealised profits, was compiled with the Guidance on Special Matter No 1, Determination of Realised and Unrealised Profit or Losses in the context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysia Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad, is as follows:

	At 31 March 2011 RM'000	At 31 December 2010 RM'000
Total retained earnings :		
Realised gain	286,489	273,654
Unrealised loss	(12,800)	(11,000)
	<u>273,689</u>	<u>262,654</u>
Share of retained earnings of jointly controlled entity		
Realised gain	957	957
	<u>274,646</u>	<u>263,611</u>
Add : Consolidation adjustments	53,780	53,780
Total retained earnings	<u>328,426</u>	<u>317,391</u>

27. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2010 was not qualified