

**PRIVATE & CONFIDENTIAL**

Updated 8/22/11

**PBA HOLDINGS BHD**

Company No: 515119-U  
(Incorporated in Malaysia)

**Interim Financial Report**

**30 JUNE 2011**

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Condensed Consolidated Statement of Financial Position  
As at 30 June 2011 - unaudited

	Note	30 June 2011 RM'000	31 December 2010 RM'000
<b>Assets</b>			
Property, plant and equipment	5	724,245	721,109
Investment in a jointly controlled entity		782	803
Other investments	19	26,922	24,606
<b>Total non-current assets</b>		<u>751,949</u>	<u>746,518</u>
Inventories		12,968	13,571
Trade and other receivables		37,981	40,109
Current tax assets		1,507	5,017
Cash and cash equivalents		84,946	66,425
<b>Total current assets</b>		<u>137,402</u>	<u>125,122</u>
<b>Total assets</b>		<u>889,351</u>	<u>871,640</u>
<b>Equity</b>			
Share capital		165,635	165,635
Reserves		505,856	482,648
<b>Total equity</b>	7	<u>671,491</u>	<u>648,283</u>
Employee benefits		21,658	28,835
Term loans	21	60,181	65,236
Deferrad tax liabilities		15,000	11,000
<b>Total non-current liabilities</b>		<u>96,839</u>	<u>105,071</u>
Trade and other payables		101,632	109,640
Employee benefits		7,782	2,094
Term loans	21	11,607	6,552
<b>Total current liabilities</b>		<u>121,021</u>	<u>118,286</u>
<b>Total liabilities</b>		<u>217,860</u>	<u>223,357</u>
<b>Total equity and liabilities</b>		<u>889,351</u>	<u>871,640</u>

Condensed Consolidated Statement of Comprehensive Income  
For the three month ended 30 June 2011 - unaudited

	Note	Three months ended 30 June		Current year-to-date ended 30 June	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Continuing operations</b>					
Revenue		64,574	50,209	120,887	99,063
Cost of sales		<u>(34,360)</u>	<u>(34,886)</u>	<u>(71,178)</u>	<u>(69,828)</u>
<b>Gross profit</b>		<u>30,214</u>	<u>15,323</u>	<u>49,709</u>	<u>29,235</u>
Other operating income		3,173	2,925	6,842	5,895
Administrative expenses		<u>(18,335)</u>	<u>(11,281)</u>	<u>(28,718)</u>	<u>(21,796)</u>
<b>Operating profit</b>		<u>15,052</u>	<u>6,967</u>	<u>27,833</u>	<u>13,334</u>
Interest income		526	331	994	622
Finance cost - Bank charges		<u>(25)</u>	<u>(5)</u>	<u>(31)</u>	<u>(8)</u>
<b>Net finance cost</b>		<u>501</u>	<u>326</u>	<u>963</u>	<u>614</u>
Share of profit of jointly controlled entity, net of tax		<u>46</u>	<u>-</u>	<u>46</u>	<u>-</u>
<b>Profit before tax</b>		<u>15,599</u>	<u>7,293</u>	<u>28,842</u>	<u>13,948</u>
Income tax expenses	17	<u>(3,457)</u>	<u>(1,534)</u>	<u>(5,665)</u>	<u>(2,815)</u>
<b>Profit for the period</b>		<u>12,142</u>	<u>5,759</u>	<u>23,177</u>	<u>11,133</u>
<b>Other comprehensive income for the period</b>	19	<u>(38)</u>	<u>(455)</u>	<u>32</u>	<u>1</u>
<b>Total comprehensive income for the period</b>		<u>12,104</u>	<u>5,304</u>	<u>23,209</u>	<u>11,134</u>
<b>Profit for the period attributable to owners of the company</b>		<u>12,142</u>	<u>5,759</u>	<u>23,177</u>	<u>11,133</u>
<b>Total comprehensive income attributable to owners of the company</b>		<u>12,104</u>	<u>5,304</u>	<u>23,209</u>	<u>11,134</u>
<b>Basic earnings per ordinary share (sen) :</b>	25	<u>3.67</u>	<u>1.74</u>	<u>7.00</u>	<u>3.36</u>

Condensed Consolidated Statement of Changes in Equity  
**For the six months ended 30 June 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	-	-	-	-	1	-	11,133	11,134
Purchase of treasury shares	-	(1)	-	-	-	-	-	(1)
At 30 June 2010	165,635	(3)	161,944	868	1,653	331	313,118	643,546

Condensed Consolidated Statement of Changes in Equity  
**For the six months ended 30 June 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	(252)	317,489	648,283
Total comprehensive income for the period	-		-	-	102	(70)	23,177	23,209
Purchase of treasury shares	-	(1)	-	-	-	-	-	(1)
At 30 June 2011	<u>165,635</u>	<u>(5)</u>	<u>161,944</u>	<u>-</u>	<u>3,573</u>	<u>(322)</u>	<u>340,666</u>	<u>671,491</u>

Condensed Consolidated Statement of Cash Flows  
For the six months ended 30 June 2011 - unaudited

	Note	Six months ended 30 June	
		2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		28,842	13,948
		<u>28,842</u>	<u>13,948</u>
<b>Adjustment for :</b>			
Depreciation of property, plant and equipment		21,912	18,835
Net change in provisions		-	4,235
Gain on disposal of other investments		(1,901)	(668)
Gain on disposal of property, plant and equipment		(4)	(4)
Property, plant & equipment written off		10	80
Share of profit of jointly controlled entity		(49)	-
Dividend income		(313)	(248)
Interest income		<u>(1,134)</u>	<u>(747)</u>
<b>Operating profit before changes in working capital</b>		<u>47,363</u>	<u>35,431</u>
Inventories		603	(2,372)
Trade and other receivables		2,207	(932)
Trade and other payables		<u>(7,449)</u>	<u>(2,277)</u>
<b>Cash generated from operations</b>		<u>42,724</u>	<u>29,850</u>
Retirement benefits paid		(1,489)	(1,889)
Income tax refunded / (paid)		<u>1,890</u>	<u>(973)</u>
<b>Net cash from operating activities</b>		<u>43,125</u>	<u>26,988</u>
<b>Cash flows from investing activities</b>			
Dividends received		267	233
Interest received		1,134	747
Proceeds from disposal of other investments	19	14,819	15,233
Proceeds from disposal of property, plant and equipment		13	7
Purchase of other investments	19	(15,132)	(15,510)
Purchase of property, plant and equipment		<u>(25,704)</u>	<u>(27,726)</u>
<b>Net cash used in investing activities</b>		<u>(24,603)</u>	<u>(27,016)</u>
<b>Cash flow from financing activities</b>			
Repayment of term loans		-	(5,455)
Purchase of treasury shares		(1)	(1)
<b>Net cash used in financing activities</b>		<u>(1)</u>	<u>(5,456)</u>
Net increase / (decrease) in cash and cash equivalents		18,521	(5,484)
Cash and cash equivalents at 1 January		<u>66,425</u>	<u>62,307</u>
<b>Cash and cash equivalents at 30 June</b>		<u>84,946</u>	<u>56,823</u>

**Cash and cash equivalents**

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

	Six months ended 30 June	
	2011 RM'000	2010 RM'000
Cash and bank balances	9,046	7,923
Short-term deposits with licensed banks	75,900	48,900
	<u>84,946</u>	<u>56,823</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 six months period ended 30 June 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 19 August 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 six months ended 30 June 2011 the Group acquired assets with a cost of RM25.70 million (six months ended 30 June 2010: RM27.73 million).

Other assets with a carrying amount of RM10,000 were disposed off during the six months ended 30 June 2011 (six months ended 30 June 2010: RM80,000), resulting in a gain on disposal of RM4,000 (six months ended 30 June 2010: gain of RM4,000), which is included in other income.

**b) Capital Commitments**

	<b>At 30 June 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Approved Capital Expenditures:-		
i) Contracted but not provided for in the Financial Statements	100,000	64,000
ii) Approved but not contracted for	186,000	247,000

**6. Assets classified as held for sale**

During the six months ended 30 June 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 30 June 2011 is RM1,299,000.

**7. Share capital and share premium**

No additional issuance of share capital and share premium as at 30 June 2011 except for the following :

**a) Treasury shares**

During the six months ended 30 June 2011, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM0.99 per share (six months ended 30 June 2010 : 1,000 shares at average price of RM0.85 per share). The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

## 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 30 June 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

	<b>At 30 June 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Corporate guarantee given to a bank in respect of credit facilities granted to a jointly controlled entity	196	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 30 June 2011 increased by RM14.4 million or 28.6% as compared to the preceding year corresponding quarter 2010. Group profit before tax of RM15.6 million increased by 113.9% as compared to the preceding year corresponding quarter of RM7.3 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 RM56.3 million to RM64.6 million as compared to the immediate preceding quarter. Group profit before tax of RM15.6 million was up by RM2.4 million compared to the immediate preceding quarter of RM13.2 million largely due to the increased in trade revenue.

**15. Current year prospects**

The Group hopes to achieve satisfactory results for the year ending 31 December 2011. However such hopes must be tempered cautiously with prevailing global economic conditions. Nevertheless, the Board remains mindful on measures implemented to mitigate escalating costs amidst prevailing economic conditions.

**16. Profit forecast or profit guarantee**

Not applicable.

**17. Income Tax expense**

	Three months ended 30 June		Current year-to-date ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Current income tax</b>				
Malaysian - current year	1,257	134	1,665	265
- prior year	-	-	-	-
	<u>1,257</u>	<u>134</u>	<u>1,665</u>	<u>265</u>
<b>Deferred Tax</b>				
- Origination and reversal of temporary differences	2,200	1,400	4,000	2,550
- Prior Year	-	-	-	-
	<u>2,200</u>	<u>1,400</u>	<u>4,000</u>	<u>2,550</u>
Income tax expense from continuing operations	<u>3,457</u>	<u>1,534</u>	<u>5,665</u>	<u>2,815</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:

	30 June 2011 RM'000
Profit before taxation	28,842
Taxation at Malaysian statutory tax rate of 25%	7,211
Income not subject to tax	(509)
Expenses not deductible for tax purposes	1,282
Deferred tax assets recognised in respect of unutilised reinvestment allowances	(2,974)
Other item	655
Tax expense for the year	5,665

As at 30 June 2011, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM294 million.

**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 30 June 2011 and financial year to-date 30 June 2011 and gain/loss arising there from are as follows:

	Three months ended 30 June 2011 RM'000	Year-to-date 30 June 2011 RM'000
Balance at 01-04-11/01-01-11	26,122	24,606
Add : Purchase of investments	6,307	15,132
Less : Proceeds from disposal of investments	(6,168)	(14,819)
Gain/(Loss) on disposal of investments	629	1,901
Fair value of quoted investments	32	102
<b>Gross Balance at 30-6-11</b>	<b>26,922</b>	<b>26,922</b>

(b) As at 30 June 2011 and 31 December 2010, the funds were invested as follows:

	Year-to-date 30 June 2011 RM'000	Year-to-date 31 December 2010 RM'000
Shares quoted in Malaysia, at fair value	22,653	20,918
Fixed deposits with licensed banks	1,907	1,327
Money market placement	2,362	2,361
<b>Total</b>	<b>26,922</b>	<b>24,606</b>

**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 30 June 2011 RM'000	At 31 December 2010 RM'000
<b>Non-current</b>			
<i>Unsecured:</i>			
Term Loan from Penang State Government	RM	60,181	65,236
<b>Current</b>			
<i>Unsecured:</i>			
Term Loan from Penang State Government	RM	11,607	6,552
<b>Total loans and borrowings</b>		<u>71,788</u>	<u>71,788</u>

**(a) Issues and repayment schedule**

The following current loans and borrowings were repaid during the six months ended 30 June 2011:

	Interest Rate Nominal	Face value RM'000	Carrying amount RM'000
<b>Repayments</b>			
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 19 August 2011, the latest practicable date which is not earlier than 7 days from the date of this quarterly report.

**23. Material litigation**

As at 19 August 2011, there was no material litigation against the Group except as disclosed in note 11.

**24. Dividends**

A final tax exempt dividend of 3% amounting to RM4,969,000 for the financial year ended 31 December 2010 was approved by shareholders at the Annual General Meeting on 23 June 2011 and paid on 15 July 2011 (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

	<b>Three months ended 30 June 2011 Continuing operations RM'000</b>	<b>Three months ended 30 June 2010 Continuing operations RM'000</b>	<b>Current year-to-date 30 June 2011 Continuing operations RM'000</b>	<b>Current year-to-date 30 June 2010 Continuing operations RM'000</b>
Profit for the period	12,142	5,759	23,177	11,133
	<b>Three months ended 30 June 2011 '000 Shares</b>	<b>Three months ended 30 June 2010 '000 Shares</b>	<b>Current year-to-date 30 June 2011 '000 Shares</b>	<b>Current year-to-date 30 June 2010 '000 Shares</b>
Issued ordinary shares at 1 January	331,266	331,230	331,266	331,230
Effect of share buyback	(1)	(1)	(1)	(1)
Weighted average number of ordinary shares	331,265	331,229	331,265	331,229
	<b>Three months ended 30 June 2011 Continuing operations Sen</b>	<b>Three months ended 30 June 2010 Continuing operations Sen</b>	<b>Current year-to-date 30 June 2011 Continuing operations Sen</b>	<b>Current year-to-date 30 June 2010 Continuing operations Sen</b>
Basic earnings per ordinary share	3.67	1.74	7.00	3.36

## 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 30 June 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:

	<b>At 30 June 2011 RM'000</b>	<b>At 31 December 2010 RM'000</b>
Total retained earnings :		
Realised gain	300,880	273,654
Unrealised loss	(15,000)	(11,000)
	<u>285,880</u>	<u>262,654</u>
Share of retained earnings of jointly controlled entity		
Realised gain	1,006	957
	<u>286,886</u>	<u>263,611</u>
Add : Consolidation adjustments	53,780	53,780
Total retained earnings	<u>340,666</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