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PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 31 December 2003

	31 December 2003 RM '000	31 December 2002 RM '000
PROPERTY, PLANT AND EQUIPMENT	469,986	405,099
INVESTMENTS IN ASSOCIATE COMPANY	*	-
INVESTMENTS	28,868	24,851
CURRENT ASSETS		
Inventories	11,184	11,914
Trade receivables	19,556	18,431
Other receivables	12,285	21,329
Fixed deposits	220,500	242,500
Cash and bank balances	2,123	5,597
	265,648	299,771
CURRENT LIABILITIES		
Trade payables	2,198	3,656
Other payables	85,766	63,912
Term loans (unsecured)	15,234	14,622
Provision for taxation	235	3,847
Provision for unutilised annual leave	618	-
	104,051	86,037
NET CURRENT ASSETS	161,597	213,734
	660,451	643,684
FINANCED BY -		
SHARE CAPITAL	165,500	165,500
RESERVES		
Retained Profits	110,217	86,136
Share Premium	161,757	161,637
Reserve on Consolidation	53,780	53,780
	325,754	301,553
SHAREHOLDERS' EQUITY	491,254	467,053
DEFERRED LIABILITIES		
Term loans - unsecured	144,111	159,344
Deferred taxation	18,000	11,709
Provision for retirement benefits	7,086	5,578
	660,451	643,684
	660,451	643,684

* RM99.00

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Condensed Consolidated Income Statements
For the periods ended 31 December 2003

	3 months ended 31 December 2003 RM'000	3 months ended 31 December 2002 RM'000	12 months ended 31 December 2003 RM'000	12 months ended 31 December 2002 RM'000
Revenue	37,638	37,092	148,969	150,902
Cost of Sales	23,095	21,757	89,703	84,988
Gross Profit	14,543	15,335	59,266	65,914
Other operating income				
- Interest Income	1,667	810	6,023	7,027
- Others	2,124	4,259	9,965	11,698
Administrative expenses	(5,325)	(6,062)	(20,440)	(18,787)
Profit from operations	13,009	14,342	54,814	65,852
Finance Cost				
- Interest Expense	(929)	(1,068)	(3,708)	(4,283)
Profit before taxation	12,080	13,274	51,106	61,569
Taxation	(3,677)	(4,411)	(10,475)	(11,277)
Profit after taxation	8,403	8,863	40,631	50,292
Earnings per share (sen)				
- Basic	2.54	2.79	12.28	15.86
- Diluted	N/A	N/A	N/A	N/A
Dividend per share (sen)				
- Interim tax exempt dividend	5.00	1.50	5.00	1.50

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 31 December 2003

	Share capital RM 000	Distributable Retained profits RM 000	← Non Distributable → Share Premium RM 000	Reserve on Consolidation RM 000	Total RM 000
At 1 January 2003	165,500	86,136	161,637	53,780	467,053
Listing Expenses	-	-	120	-	120
Profit after taxation for the year	-	40,631	-	-	40,631
Interim & Final tax exempt dividend	-	(16,550)	-	-	(16,550)
At 31 December 2003	<u>165,500</u>	<u>110,217</u>	<u>161,757</u>	<u>53,780</u>	<u>491,254</u>
At 1 January 2002	140,000	40,809	125,826	53,780	360,415
Issuance of Shares	25,500	-	35,811	-	61,311
Profit after taxation for the year	-	50,292	-	-	50,292
Interim tax exempt dividend	-	(4,965)	-	-	(4,965)
At 31 December 2002	<u>165,500</u>	<u>86,136</u>	<u>161,637</u>	<u>53,780</u>	<u>467,053</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 2002.

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Condensed Consolidated Cash Flow Statement
For the period ended 31 December 2003

	31 December 2003 RM '000	31 December 2002 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	51,106	61,569
Adjustments for -		
Depreciation	19,496	18,301
Interest expense	3,696	4,274
Interest income	(7,329)	(8,704)
Provision for retirement benefits	1,879	3,812
Other miscellaneous	(2,944)	(312)
	<hr/>	<hr/>
Operating profit before working capital changes	65,904	78,940
Net change in current assets	9,135	16,182
Net change in current liabilities	20,396	(15,842)
	<hr/>	<hr/>
Cash generated from operations	95,435	79,280
Interest paid	(3,696)	(4,274)
Retirement benefits paid	(371)	(129)
Tax paid	(7,796)	(2,463)
	<hr/>	<hr/>
Net cash from operating activities	83,572	72,414
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	722	-
Interest received	7,329	530
Proceeds from disposal of investments	13,649	8,704
Proceeds from disposal of property, plant and equipment	1	7,645
Purchase of investments	(14,879)	(8,237)
Net purchase of property, plant and equipment	(84,817)	(68,842)
	<hr/>	<hr/>
Net cash from investing activities	(77,995)	(60,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	61,311
Listing Expenses	120	-
Term loans net payment	(14,621)	(9,294)
Dividend paid	(16,550)	(4,965)
	<hr/>	<hr/>
Net cash from financing activities	(31,051)	47,052
Net Increase in cash and cash equivalents	(25,474)	59,266
Cash and cash equivalents at 1 January	248,097	188,831
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<u>222,623</u>	<u>248,097</u>
Cash and cash equivalents at 31 December		
Fixed deposits	220,500	242,500
Cash and bank balances	2,123	5,597
	<hr/>	<hr/>
	<u>222,623</u>	<u>248,097</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 2002.

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Notes to the Interim Financial Report

PART A – Notes Pursuant to MASB 26

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with MASB 26, Interim Financial Reporting and Chapter 9 Part K of the Listing Requirement of Kuala Lumpur Stock Exchange.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2002.

A2. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2002 was not subject to any qualification.

A3. Comments about seasonal or cyclical factors

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

A4. Unusual items due to their nature, size or incidence

There is no unusual item in the current quarter and financial year to-date ended 31 December 2003.

A5. Changes in estimates

There is no change in the estimates of amount which give a material effect for the current quarter.

A6. 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 for the current quarter and current financial year to-date ended 31 December 2003.

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Notes to the Interim Financial Report

A7. Dividends paid

The following dividends were paid in the current quarter and current financial year-to-date ended 31 December 2003.

Type of dividends and rate	For financial year ended	Date of payment	Amount (RM)
Final tax exempt dividend of 5%	31 December 2002	18 July 2003	8,275,000
Interim tax exempt dividend of 5%	31 December 2003	24 December 2003	8,275,000
Total:			16,550,000

A8. 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.

A9. Carrying amount of revalued assets

The property, plant and equipment have not been revalued and are stated at cost less accumulated depreciation since the previous financial year-end.

A10. Subsequent events

There is no material event subsequent to the balance sheet date up to the date of the issue of this report.

A11. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and financial year to-date ended 31 December 2003. However in the 2nd quarter, the Company subscribed 26% equity interest in Pinang Water Ltd (PWL), a company incorporated under the Offshore Companies Act 1990 on and from 25 June 2003. PWL is a joint venture company established in Wilayah Persekutuan, Labuan by YLI Holdings Bhd (YLI), KWI Far East Sdn Bhd (KWI) and PBA Holdings Berhad. YLI and KWI each hold 37% equity interest.

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The authorised share capital of PWL is USD13,000 comprising 13,000 ordinary shares of USD1.00 each, of which the issued and paid up share capital is USD100 divided into 100 ordinary shares of USD1.00 each.

The associated company has yet to commence operations during the current quarter under review.

A12. Changes in contingent liabilities and contingent assets

There is no material contingent liability or contingent asset since the last financial statements for the year ended 31 December 2002.

A13. Capital Commitments

	31 December 2003 RM000	31 December 2002 RM000
Contracted but not provided for in the accounts	100,000	118,000
Approved budget but not contracted for	87,000	154,000
	=====	=====

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Notes to the Interim Financial Report

PART B – Notes Pursuant to Appendix 9B of the Listing Requirements of KLSE

B1. Performance Review

The Group's revenue for the current quarter and current financial year to-date was RM37.6 million and RM148.9 million respectively as compared to the preceding year corresponding period of RM37.1 million and RM150.9 million. The minimal decrease of RM1.9 million or 1.3% in the year to-date figure was mainly attributed to lower trade consumption as compared to prior year.

Profit before taxation for the current quarter of RM12.1 million was lower than the preceding year corresponding period of RM13.3 million. The year to-date profit before taxation of RM51.1 million was lower than the preceding year corresponding period by RM10.5 million or 17.0%. The reductions in profits were due to the decrease in water and other revenue and increase in cost of production for the twelve months period ended 31 December 2003.

B2. Comment on material change in profit before taxation

The Group recorded profit before taxation of RM12.1 million during the quarter under reviewed as compared to RM14.1 million in the preceding quarter. The reductions in profit before taxation mainly due to higher cost of production and lower revenue from other sources for the quarter under review.

B3. Commentary on the prospects

The Directors are of the view that the overall performance of the Group for 2004 will hinge substantially on the performance of the manufacturing and tourism industry of Penang. The Penang State Government has been focusing its effort to attract more tourists and to increase investments in Penang to boost the State's economy.

The State economy conditions are expected to be better than those in year 2003. Hence, the Group's overall performance for the year 2004 is expected to improve.

B4. Profit forecast or profit guarantee

Not applicable.

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B5. Taxation

The Group's tax provision includes the following:

	Current quarter ended 31 December 2003 RM'000	Current year-to-date ended 31 December 2003 RM'000
Current year's tax	677	4,184
Transfer to deferred taxation account	3,000	6,291
	3,677	10,475

The disproportionate tax charge of the Group is due to reinvestment allowance claimed by the subsidiary company.

The effective tax rate for the current quarter and financial year to-date ended 31 December 2003 is 30.4% and 20.5% respectively.

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 2003 RM'000	Current year-to-date ended 31 December 2003 RM'000
Balance at 1-10-2003/1-1-2003	28,137	25,918
Add : Purchase of investments	3,621	14,393
Less : Proceeds from disposal of investments	(3,472)	(13,649)
Add : Gain on disposal of investments	582	2,206
Balance at 31-12-2003	28,868	28,868

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Notes to the Interim Financial Report

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

As at 31 December 2003 and 31 December 2002, the funds were invested as follows:

	31 December 2003 RM'000	31 December 2002 RM'000
Shares quoted in Malaysia, at cost	23,756	20,919
Fixed interest securities, at cost	(78)	1,111
Fixed deposits with licensed banks	2,012	1,679
Fixed deposits with other corporations	973	1,059
Money market placement	2,205	1,150
	28,868	25,918
Provision for diminution in value of investment	-	(1,067)
	28,868	24,851

Market value of quoted shares	26,310	19,852
	=====	=====

B8. Corporate proposals

There is no corporate proposal announced for the current quarter and current and financial year to-date.

B9. Borrowing and debt securities

	31 December 2003 RM'000	31 December 2002 RM'000
Short Term Borrowings-Local Currency	15,234	14,622
Long Term Borrowings-Local Currency	144,111	159,344
	159,345	173,966

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

The term loans bear interest rates of 0% to 8% per annum and are repayable over a period of 6 to 20 years by yearly instalments ranging between RM10,295 and RM6,990,043 per annum.

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Notes to the Interim Financial Report

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 tax exempt dividend of 5% amounting to RM8,275,000 in respect of the financial year ended 31 December 2003.

B13. Earnings per share (sen)

The calculation of basic earnings per share for the quarter 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 2003	Current year-to-date ended 31 December 2003
Group's profit after taxation attributable to ordinary shareholders : (RM'000)	8,403	40,631
Weighted average number of ordinary share in issue : ('000)	331,000	331,000

The calculation of diluted earnings per share is not applicable to the Company as there is no potential dilutive ordinary shares.