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PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 30 June 2005

	30 June 2005 RM '000	31 December 2004 RM '000
PROPERTY, PLANT AND EQUIPMENT	539,809	523,919
INVESTMENTS IN ASSOCIATE COMPANY	*	*
INVESTMENTS	30,191	30,903
CURRENT ASSETS		
Inventories	12,294	11,689
Trade receivables	19,493	19,438
Other receivables	19,577	15,804
Fixed deposits	136,000	171,000
Cash and bank balances	2,637	4,751
	190,001	222,682
CURRENT LIABILITIES		
Trade payables	1,598	1,192
Other payables	79,086	81,717
Term loans (unsecured)	6,552	39,563
Provision for taxation	126	34
Retirement benefit obligations	499	442
	87,861	122,948
NET CURRENT ASSETS	102,140	99,734
	672,140	654,556
FINANCED BY -		
SHARE CAPITAL	165,500	165,500
RESERVES		
Retained Profits	153,862	133,502
Share Premium	161,757	161,757
Reserve on Consolidation	53,780	53,780
	369,399	349,039
SHAREHOLDERS' EQUITY	534,899	514,539
DEFERRED LIABILITIES		
Term loans - unsecured	99,014	104,548
Deferred taxation	24,800	23,700
Provision for retirement benefits	13,427	11,769
	672,140	654,556

* 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 2004.

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Condensed Consolidated Income Statements
For the periods ended 30 June 2005

	3 months ended 30 June 2005 RM'000	3 months ended 30 June 2004 RM'000	6 months ended 30 June 2005 RM'000	6 months ended 30 June 2004 RM'000
Revenue	40,228	37,892	80,875	73,112
Cost of Sales	26,880	24,063	51,247	48,228
Gross Profit	13,348	13,829	29,628	24,884
Other operating income				
- Interest Income	2,085	2,640	3,143	4,034
- Others	2,831	2,921	5,803	5,447
Administrative expenses	(6,456)	(6,510)	(14,694)	(12,689)
Profit from operations	11,808	12,880	23,880	21,676
Finance Cost				
-Interest Expense	(2)	(771)	(3)	(1,549)
Profit before taxation	11,806	12,109	23,877	20,127
Taxation	(1,550)	(2,413)	(3,517)	(5,080)
Profit after taxation	10,256	9,696	20,360	15,047
Earnings per share (sen)				
- Basic	3.10	2.93	6.15	4.55
- Diluted	N/A	N/A	N/A	N/A
Dividend per share (sen)				
- Interim tax exempt dividend	-	-	-	-
- Final dividend less tax at 28%	-	-	-	-

The condensed consolidated income statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2004.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 2005

	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 2005	165,500	133,502	161,757	53,780	514,539
Profit after taxation for the period	-	20,360	-	-	20,360
At 30 June 2005	<u>165,500</u>	<u>153,862</u>	<u>161,757</u>	<u>53,780</u>	<u>534,899</u>
At 1 January 2004	165,500	110,217	161,757	53,780	491,254
Profit after taxation for the period	-	15,047	-	-	15,047
At 30 June 2004	<u>165,500</u>	<u>125,264</u>	<u>161,757</u>	<u>53,780</u>	<u>506,301</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 2004.

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Condensed Consolidated Cash Flow Statement
For the period ended 30 June 2005

	30 June 2005 RM '000	30 June 2004 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,877	20,127
Adjustments for -		
Depreciation	10,605	9,664
Interest expense	-	1,545
Interest income	(3,308)	(4,202)
Provision for retirement benefits	2,068	2,686
Other miscellaneous	781	(1,193)
	<hr/>	<hr/>
Operating profit before working capital changes	34,023	28,627
Net change in current assets	(4,435)	(1,555)
Net change in current liabilities	(2,224)	7,725
	<hr/>	<hr/>
Cash generated from operations	27,364	34,797
Interest paid	-	(1,545)
Retirement benefits paid	(354)	(130)
Tax paid	(2,325)	(2,334)
	<hr/>	<hr/>
Net cash from operating activities	24,685	30,788
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	532	376
Interest received	3,308	4,202
Proceeds from disposal of property, plant and equipment	17	-
Proceeds from disposal of investments	10,465	11,771
Purchase of investments	(10,938)	(12,126)
Net purchase of property, plant and equipment	(26,638)	(22,921)
	<hr/>	<hr/>
Net cash from investing activities	(23,254)	(18,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Term loans net payment	(38,545)	(7,158)
	<hr/>	<hr/>
Net cash from financing activities	(38,545)	(7,158)
Net Increase in cash and cash equivalents	(37,114)	4,932
Cash and cash equivalents at 1 January	175,751	222,623
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>138,637</u>	<u>227,555</u>
Cash and cash equivalents at 30 June		
Fixed deposits	136,000	221,000
Cash and bank balances	2,637	6,555
	<hr/>	<hr/>
	<u>138,637</u>	<u>227,555</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 2004.

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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 2004.

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 2004.

A2. Auditors' report on preceding annual financial statements

The audit report of the audited financial statements for the year ended 31 December 2004 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 30 June 2005.

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 30 June 2005.

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Notes to the Interim Financial Report

A7. Dividends paid

	Amount		Net dividends per share	
	30 June 2005 RM'000	31 December 2004 RM'000	30 June 2005 Sen	31 December 2004 Sen
Final tax-exempt dividend in respect of financial year ended 31 December 2003 of 5% paid on 27 July 2004	-	8,275	-	2.50
Interim tax-exempt dividend in respect of financial year ended 31 December 2004 of 5% paid on 28 December 2004	-	8,275	-	2.50
	-	16,550	-	5.00

No dividend was paid for the current quarter and financial year to-date ended 30 June 2005.

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 30 June 2005.

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Notes to the Interim Financial Report

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 2004.

A13. Capital Commitments

	30 June 2005 RM000	31 December 2004 RM000
Contracted but not provided for in the accounts	92,000	76,000
Approved budget but not contracted for	40,000 =====	37,000 =====

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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 operating revenue for the current quarter and financial year to-date ended 30 June 2005 totalled RM40.2 million and RM80.9 million, representing 6.1% and 10.6% increase over the preceding year corresponding period operating revenue of RM37.9 million and RM 73.1 million. The increases were derived mainly from the increase in sales of water in Penang.

The Group attained a profit before taxation of RM11.8 million for the quarter in review, which is 2.5% lower than the preceding year corresponding quarter of RM12.1 million.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

The Group recorded profit before taxation of RM11.8 million during the quarter under review as compared to RM12.1 million in the preceding quarter. The reduction in profit before taxation was mainly due to higher cost of production and increased administrative expenses.

B3. Commentary on the prospects

Based on the year to-date results, the Group should achieve satisfactory performance for the rest of the financial year 2005.

B4. Profit forecast or profit guarantee

Not applicable.

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Notes to the Interim Financial Report

B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 30 June 2005 RM'000	Current year-to-date ended 30 June 2005 RM'000
Current period tax	1,050	2,417
Transfer to deferred taxation account	500	1,100
	1,550	3,517

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 30 June 2005 is 13.1% and 14.7% respectively.

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 quarter to-date is as follows:

	30 June 2005 RM'000
Profit before taxation	23,877
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	6,686
Income not subject to tax	(198)
Expenses not deductible for tax purposes	277
Utilisation of current year reinvestment allowances	(3,248)
Under / (Over) provision of tax in prior years	-
Tax expense for the year	3,517

	30 June 2005 RM'000
Unutilised reinvestment allowances	51,529

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Notes to the Interim Financial Report

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 2005 RM'000	Current year-to-date ended 30 June 2005 RM'000
Balance at 01-04-2005 / 01-01-2005	30,815	30,903
Add: Purchase of investments	5,972	10,938
Less : Proceeds from disposal of investments	(5,673)	(10,465)
Less / Add: (Loss) / Gain on disposal of investments	160	624
	31,274	32,000
Less: Diminution in value of investment	(1,083)	(1,809)
Balance at 30-06-2005	30,191	30,191

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

As at 30 June 2005 and 31 December 2004, the funds were invested as follows:

	30 June 2005 RM'000	31 December 2004 RM'000
Shares quoted in Malaysia, at cost	25,810	26,244
Fixed interest securities, at cost	43	207
Fixed deposits with licensed banks	1,954	2,371
Fixed deposits with other corporations	2,208	756
Money market placement	1,985	1,325
	32,000	30,903
Less: Diminution in value of investment	(1,809)	-
Total	30,191	30,903

Market value of quoted shares	24,001	27,715
	=====	=====

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Notes to the Interim Financial Report

B8. Corporate proposals

The shareholders of the Company have approved the Employees' Share Option Scheme (ESOS) at the Extraordinary General Meeting held on 9 June 2005. The ESOS has been subsequently implemented on 15 July 2005.

B9. Borrowing and debt securities

	30 June 2005 RM'000	31 December 2004 RM'000
Short Term Borrowings-Local Currency	6,552	39,563
Long Term Borrowings-Local Currency	99,014	104,548
	105,566	144,111

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

The term loans are repayable over a period of 20 years by yearly instalments 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 tax exempt dividend of 7% less tax at 28% amounting to RM8, 341,422.68 for the financial year ended 31 December 2004 has been approved by the shareholders at the Annual General Meeting on 9 June 2005 for payment on 18 July 2005. The financial statements for the financial year and period ended 31 December 2004 and 30 June 2005 respectively do not reflect this proposed final tax dividend. It will be accounted for in the shareholders' equity as an appropriation or retained profit in the third quarter ending 30 September 2005. (30 June 2004: The proposed and approved final tax exempt dividend of 5% amounting to RM8, 275,000 for the financial year ended 31 December 2003 was paid on 27 July 2004.)

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Notes to the Interim Financial Report

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 30 June 2005	Current year-to-date ended 30 June 2005
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	10,256	20,360
Weighted average number of ordinary shares in issue: ('000)	331,000	331,000
Basic earnings per share (sen)	3.10	6.15

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

B14. Authorisation for Issue

On 29 August 2005, the Board of Directors authorised this Interim Financial Report for issue.