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PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 30 September 2005

	30 September 2005 RM '000	31 December 2004 RM '000
PROPERTY, PLANT AND EQUIPMENT	550,411	523,919
INVESTMENTS IN ASSOCIATE COMPANY	*	*
INVESTMENTS	30,964	30,903
CURRENT ASSETS		
Inventories	14,217	11,689
Trade receivables	19,314	19,438
Other receivables	24,896	15,804
Fixed deposits	121,000	171,000
Cash and bank balances	6,157	4,751
	185,584	222,682
CURRENT LIABILITIES		
Trade payables	2,407	1,192
Other payables	81,801	81,717
Term loans (unsecured)	6,552	39,563
Provision for taxation	(403)	34
Retirement benefit obligations	318	442
	90,675	122,948
NET CURRENT ASSETS	94,909	99,734
	676,284	654,556
FINANCED BY -		
SHARE CAPITAL	165,545	165,500
RESERVES		
Retained Profits	156,577	133,502
Share Premium	161,827	161,757
Reserve on Consolidation	53,780	53,780
	372,184	349,039
SHAREHOLDERS' EQUITY	537,729	514,539
DEFERRED LIABILITIES		
Term loans - unsecured	98,871	104,548
Deferred taxation	25,200	23,700
Provision for retirement benefits	14,484	11,769
	676,284	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 September 2005

	3 months ended 30 September 2005 RM'000	3 months ended 30 September 2004 RM'000	9 months ended 30 September 2005 RM'000	9 months ended 30 September 2004 RM'000
Revenue	41,390	40,768	122,265	113,880
Cost of Sales	26,817	23,365	78,064	71,593
Gross Profit	14,573	17,403	44,201	42,287
Other operating income				
- Interest Income	844	1,488	3,987	5,451
- Others	2,416	2,043	8,219	7,561
Administrative expenses	(5,867)	(5,406)	(20,561)	(18,095)
Profit from operations	11,966	15,528	35,846	37,204
Finance Cost				
-Interest Expense	(4)	(777)	(7)	(2,326)
Profit before taxation	11,962	14,751	35,839	34,878
Taxation	(906)	(2,801)	(4,423)	(7,881)
Profit after taxation	11,056	11,950	31,416	26,997
Earnings per share (sen)				
- Basic	3.34	3.61	9.49	8.16
- Diluted	3.34	N/A	9.49	N/A
Dividend per share (sen)				
- Interim tax exempt dividend	-	-	-	-
- Final tax exempt dividend	-	2.50	-	2.50
- Final tax exempt dividend 7% less tax at 28%	3.50	-	3.50	-

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

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 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
Issuance of shares for ESOS	45	-	70	-	115
Profit after taxation for the period	-	31,416	-	-	31,416
Final tax exempt dividend at 7 % less tax 28%	-	(8,341)	-	-	(8,341)
At 30 September 2005	<u>165,545</u>	<u>156,577</u>	<u>161,827</u>	<u>53,780</u>	<u>537,729</u>
At 1 January 2004	165,500	110,217	161,757	53,780	491,254
Profit after taxation for the period	-	26,997	-	-	26,997
Final tax exempt dividend	-	(8,275)	-	-	(8,275)
At 30 September 2004	<u>165,500</u>	<u>128,939</u>	<u>161,757</u>	<u>53,780</u>	<u>509,976</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 September 2005

	30 September 2005 RM '000	30 September 2004 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	35,839	34,878
Adjustments for -		
Depreciation	16,035	14,632
Interest expense	-	2,321
Interest income	(3,987)	(5,451)
Provision for retirement benefits	3,160	4,020
Other miscellaneous	16	(1,151)
	<u>51,063</u>	<u>49,249</u>
Operating profit before working capital changes	51,063	49,249
Net change in current assets	(11,497)	(3,813)
Net change in current liabilities	1,299	3,202
	<u>40,865</u>	<u>48,638</u>
Cash generated from operations	40,865	48,638
Interest paid	-	(2,321)
Retirement benefits paid	(569)	(370)
Tax paid	(3,361)	(3,464)
	<u>36,935</u>	<u>42,483</u>
Net cash from operating activities	36,935	42,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	736	517
Interest received	3,987	5,451
Proceeds from disposal of property, plant and equipment	17	-
Proceeds from disposal of investments	15,755	18,679
Purchase of investments	(16,439)	(19,189)
Net purchase of property, plant and equipment	(42,671)	(45,446)
	<u>(38,615)</u>	<u>(39,988)</u>
Net cash from investing activities	(38,615)	(39,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	115	-
Term loans net payment	(38,688)	(7,300)
Dividend paid	(8,341)	(8,275)
	<u>(46,914)</u>	<u>(15,575)</u>
Net cash from financing activities	(46,914)	(15,575)
Net Increase in cash and cash equivalents	(48,594)	(13,080)
Cash and cash equivalents at 1 January	175,751	222,623
	<u>127,157</u>	<u>209,543</u>
Cash and cash equivalents at 30 September	127,157	209,543
Cash and cash equivalents at 30 September		
Fixed deposits	121,000	204,000
Cash and bank balances	6,157	5,543
	<u>127,157</u>	<u>209,543</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 September 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 except for the following:

Employees' Share Options Scheme (ESOS)

During the current quarter and current financial year to-date ended 30 September 2005, the Company issued 89,100 ordinary shares of RM0.50 each for cash pursuant to the Company's ESOS at exercise price of RM1.29 per ordinary share.

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Notes to the Interim Financial Report

A7. Dividends paid

	Amount		Net dividends per share	
	30 September 2005 RM'000	31 December 2004 RM'000	30 September 2005 Sen	31 December 2004 Sen
Final tax exempt dividend in respect of financial year ended 31 December 2004 of 7% less tax at 28 % paid on 18 July 2005	8,341	-	3.50	-
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
	8,341	16,550	3.50	5.00

A final tax-exempt dividend of 7% less tax at 28% amounting to RM8, 341, 200. 03 for the financial year ended 31 December 2004 as reported in the director's report of that year was paid on 18 July 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.

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Notes to the Interim Financial Report

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 September 2005.

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 September 2005 RM000	31 December 2004 RM000
Contracted but not provided for in the accounts	128,000	76,000
Approved budget but not contracted for	-	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 September 2005 totalled RM41.4 million and RM122.2 million, representing 1.5% and 7.4% increase over the preceding year corresponding periods operating revenue of RM40.8 million and RM113.9 million respectively. The increases were derived mainly from the increase in sales of water in Penang.

The Group attained a profit before taxation of RM12.0 million for the quarter in review, which is 18.9% lower than the preceding year corresponding quarter of RM14.8 million. This was attributed to the increase in fuel and maintenance costs.

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

The Group recorded profit before taxation of RM12.0 million during the quarter under review as compared to RM11.8 million in the preceding quarter. Profit after taxation for the Group is RM11.0 million as compared to RM10.3 million in the preceding quarter.

B3. Commentary on the prospects

Barring unforeseen circumstances, the Company should be able to maintain its performance for the rest of the year ending 31 December 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 September 2005 RM'000	Current year-to-date ended 30 September 2005 RM'000
Current period tax	506	2,923
Transfer to deferred taxation account	400	1,500
	906	4,423

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 September 2005 is 7.57% and 12.3% 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 September 2005 RM'000
Profit before taxation	35,839
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	10,035
Income not subject to tax	(209)
Expenses not deductible for tax purposes	849
Utilisation of current year reinvestment allowances	(6,252)
Under / (Over) provision of tax in prior years	-
Tax expense for the year	4,423

	30 September 2005 RM'000
Unutilised reinvestment allowances	57,609

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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 September 2005 RM'000	Current year-to-date ended 30 September 2005 RM'000
Balance at 01-06-2005 / 01-01-2005	30,191	30,903
Add: Purchase of investments	5,501	16,439
Less : Proceeds from disposal of investments	(5,290)	(15,755)
Less / Add: (Loss) / Gain on disposal of investments	(39)	585
	30,363	32,172
Add / Less: Write back / (Provision) for diminution in value of investment	601	(1,208)
Balance at 30-09-2005	30,964	30,964

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

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

	30 September 2005 RM'000	31 December 2004 RM'000
Shares quoted in Malaysia, at cost	25,469	26,244
Fixed interest securities, at cost	(215)	207
Fixed deposits with licensed banks	3,050	2,371
Fixed deposits with other corporations	2,323	756
Money market placement	1,545	1,325
	32,172	30,903
Less: Diminution in value of investment	(1,208)	-
Total	30,964	30,903

Market value of quoted shares	24,261	27,715
	=====	=====

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Notes to the Interim Financial Report

B8. Corporate proposals

- (i) The approved Employees' Share Options Scheme (ESOS) was implemented on 15 July 2005
- (ii) The State Government of Penang has approved the application of extension of operating licence (Licence) of the wholly owned subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) for a period of 5 years commencing from 1 January 2006 to 31 December 2010. The Licence granted by the State Government of Penang via Jabatan Bekalan Air Pulau Pinang to PBAPP to operate and maintain the Penang State's water supply system.

B9. Borrowing and debt securities

	30 September 2005 RM'000	31 December 2004 RM'000
Short Term Borrowings-Local Currency	6,552	39,563
Long Term Borrowings-Local Currency	98,871	104,548
	105,423	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

The Board of Directors has declared an interim tax-exempt dividend of 5% in respect of the financial year ending 31 December 2005 for the current quarter ended 30 September 2005. (30 September 2004 – Interim tax-exempt dividend of 5% for the year ended 31 December 2004)

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Notes to the Interim Financial Report

B13. Earnings per share (sen)

(a) Basic

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 September 2005	Current year-to-date ended 30 September 2005
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	11,056	31,416
Weighted average number of ordinary shares in issue: ('000)	331,000	331,000
Basic earnings per share (sen)	3.34	9.49

(b) Diluted

The calculation of diluted 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 September 2005	Current year-to-date ended 30 September 2005
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	11,056	31,416
Weighted average number of ordinary shares in issue and ESOS: ('000)	331,010	331,010
Basic earnings per share (sen)	3.34	9.49

B14. Authorisation for Issue

On 10 November 2005, the Board of Directors authorised this Interim Financial Report for issue.