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PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 31 December 2005

	31 December 2005 RM '000	31 December 2004 RM '000
PROPERTY, PLANT AND EQUIPMENT	585,680	523,919
INVESTMENTS IN ASSOCIATE COMPANY	*	*
INVESTMENTS	26,697	30,903
CURRENT ASSETS		
Inventories	20,444	11,689
Trade receivables	17,681	19,438
Other receivables	21,571	15,804
Fixed deposits	122,500	171,000
Cash and bank balances	22,490	4,751
	204,686	222,682
CURRENT LIABILITIES		
Trade payables	2,052	1,192
Other payables	89,496	81,717
Term loans (unsecured)	6,552	39,563
Provision for taxation	(1,129)	34
Retirement benefit obligations	700	442
	97,671	122,948
NET CURRENT ASSETS	107,015	99,734
	719,392	654,556
FINANCED BY -		
SHARE CAPITAL	165,550	165,500
RESERVES		
Retained Profits	154,339	133,502
Share Premium	161,836	161,757
Reserve on Consolidation	53,780	53,780
	369,955	349,039
SHAREHOLDERS' EQUITY	535,505	514,539
DEFERRED LIABILITIES		
Term loans - unsecured	143,788	104,548
Deferred taxation	25,470	23,700
Provision for retirement benefits	14,629	11,769
	719,392	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 31 December 2005

	3 months ended 31 December 2005 RM'000	3 months ended 31 December 2004 RM'000	12 months ended 31 December 2005 RM'000	12 months ended 31 December 2004 RM'000
Revenue	40,353	39,857	162,618	153,737
Cost of Sales	23,737	22,359	101,801	93,952
Gross Profit	16,616	17,498	60,817	59,785
Other operating income				
- Interest Income	257	1,339	4,244	6,425
- Others	(1,343)	2,645	6,876	10,571
Administrative expenses	(8,885)	(5,960)	(29,446)	(24,055)
Profit from operations	6,645	15,522	42,491	52,726
Finance Cost				
-Interest Expense	(1)	(759)	(8)	(3,085)
Profit before taxation	6,644	14,763	42,483	49,641
Taxation	(605)	(1,925)	(5,028)	(9,806)
Profit after taxation	6,039	12,838	37,455	39,835
Earnings per share (sen)				
- Basic	1.82	3.88	11.31	12.03
- Diluted	1.79	N/A	11.10	N/A
Dividend per share (sen)				
- Interim tax exempt dividend	2.50	2.50	2.50	2.50
- Final tax exempt dividend	-	-	-	2.50
- Final tax exempt dividend 7% less tax at 28%	-	-	2.52	-

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 31 December 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	50	-	79	-	129
Profit after taxation for the year	-	37,455	-	-	37,455
Final tax exempt dividend at 7 % less tax 28%	-	(8,341)	-	-	(8,341)
Interim tax exempt dividend at 5%	-	(8,277)	-	-	(8,277)
At 31 December 2005	<u>165,550</u>	<u>154,339</u>	<u>161,836</u>	<u>53,780</u>	<u>535,505</u>
At 1 January 2004	165,500	110,217	161,757	53,780	491,254
Profit after taxation for the year	-	39,835	-	-	39,835
Interim & Final tax exempt dividend	-	(16,550)	-	-	(16,550)
At 31 December 2004	<u>165,500</u>	<u>133,502</u>	<u>161,757</u>	<u>53,780</u>	<u>514,539</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 31 December 2005

	31 December 2005 RM '000	31 December 2004 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	42,483	49,641
Adjustments for -		
Depreciation	21,502	19,701
Interest expense	-	3,078
Interest income	(4,543)	(6,917)
Provision for retirement benefits	3,818	5,619
Other miscellaneous	1,997	(1,885)
	<hr/>	<hr/>
Operating profit before working capital changes	65,257	69,237
Net change in current assets	(12,765)	(3,906)
Net change in current liabilities	8,639	(5,674)
	<hr/>	<hr/>
Cash generated from operations	61,131	59,657
Interest paid	-	(3,078)
Retirement benefits paid	(700)	(494)
Tax paid	(4,421)	(4,307)
	<hr/>	<hr/>
Net cash from operating activities	56,010	51,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	985	696
Interest received	4,543	6,917
Proceeds from disposal of property, plant and equipment	17	-
Proceeds from disposal of investments	27,675	23,742
Purchase of investments	(26,241)	(24,435)
Net purchase of property, plant and equipment	(83,490)	(73,786)
	<hr/>	<hr/>
Net cash used in investing activities	(76,511)	(66,866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	129	-
Term loans (net)	6,229	(15,234)
Dividend paid	(16,618)	(16,550)
	<hr/>	<hr/>
Net cash used in financing activities	(10,260)	(31,784)
Net Increase in cash and cash equivalents	(30,761)	(46,872)
Cash and cash equivalents at 1 January	175,751	222,623
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	144,990	175,751
	<hr/>	<hr/>
Cash and cash equivalents at 31 December		
Fixed deposits	122,500	171,000
Cash and bank balances	22,490	4,751
	<hr/>	<hr/>
	144,990	175,751
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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 31 December 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 31 December 2005, the Company issued 10,700 and 99,800 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	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 Sen	31 December 2004 Sen
Interim tax-exempt dividend in respect of financial year ended 31 December 2005 of 5% paid on 23 December 2005	8,277		2.50	
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	-	2.52	-
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
	16,618	16,550	5.02	5.00

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.

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Notes to the Interim Financial Report

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 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 except as follows:

	31 December 2005 RM000	31 December 2004 RM000
Corporate Guarantee given to a bank in respect of credit facilities granted to an associate	926 =====	926 =====

A13. Capital Commitments

	31 December 2005 RM000	31 December 2004 RM000
Contracted but not provided for in the accounts	99,000	76,000
Approved budget but not contracted for	505,000 =====	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 31 December 2005 totalled RM40.3 million and RM162.6 million, representing 1.2% and 5.8% increase over the preceding year corresponding periods operating revenue of RM39.8 million and RM153.7 million respectively. The increases were derived mainly from the increase in sales of water in Penang.

The Group attained a profit before taxation of RM6.6 million for the quarter in review, as compared to RM14.8 million in the preceding year corresponding quarter. This was attributed to the increase in fuel, maintenance costs, provision for diminution in value of investments and doubtful debts.

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

The Group recorded profit before taxation of RM6.6 million during the quarter under review as compared to RM12.0 million in the preceding quarter. Profit after taxation for the Group is RM6.0 million as compared to RM11.0 million in the preceding quarter.

B3. Commentary on the prospects

The Group foresees challenges in containing cost which may impact on the financial performance in the year 2006.

B4. Profit forecast or profit guarantee

Not applicable.

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B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 31 December 2005 RM'000	Current year-to-date ended 31 December 2005 RM'000
Current period tax	335	3,258
Transfer to deferred taxation account	270	1,770
	605	5,028

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 2005 is 9.1% and 11.8% 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:

	31 December 2005 RM'000
Profit before taxation	42,483
Taxation at Malaysian statutory tax rate of 28%	11,895
Income not subject to tax	(62)
Expenses not deductible for tax purposes	1,886
Utilisation of current year reinvestment allowances	(8,691)
Under / (Over) provision of tax in prior years	-
Tax expense for the year	5,028

	31 December 2005 RM'000
Unutilised reinvestment allowances	63,251

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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 31 December 2005 RM'000	Current year-to-date ended 31 December 2005 RM'000
Balance at 01-10-2005 / 01-01-2005	30,964	30,903
Add: Purchase of investments	9,802	26,241
Less : Proceeds from disposal of investments	(11,920)	(27,675)
Less / Add: (Loss) / Gain on disposal of investments	(559)	26
	28,287	29,495
Less: Provision for diminution in value of investment	(1,590)	(2,798)
Balance at 31-12-2005	26,697	26,697

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

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

	31 December 2005 RM'000	31 December 2004 RM'000
Shares quoted in Malaysia, at cost	24,423	26,244
Fixed interest securities, at cost	-	207
Fixed deposits with licensed banks	2,637	2,371
Fixed deposits with other corporations	-	756
Money market placement	2,435	1,325
	29,495	30,903
Less : Diminution in value of investment	(2,798)	-
Total	26,697	30,903

Market value of quoted shares	21,625	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

	31 December 2005 RM'000	31 December 2004 RM'000
Short Term Borrowings-Local Currency	6,552	39,563
Long Term Borrowings-Local Currency	143,788	104,548
	150,340	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 recommends a final dividend of 7% less tax at 28% in respect of the financial year ended 31 December 2005 subject to the approval of shareholders at the forthcoming Annual General Meeting.

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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 31 December 2005	Current year-to-date ended 31 December 2005
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	6,039	37,455
Weighted average number of ordinary shares in issue: ('000)	331,032	331,032
Basic earnings per share (sen)	1.82	11.31

(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 31 December 2005	Current year-to-date ended 31 December 2005
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	6,039	37,455
Weighted average number of ordinary shares in issue and ESOS: ('000)	337,528	337,528
Diluted earnings per share (sen)	1.79	11.10

B14. Authorisation for Issue

On 16 February 2006, the Board of Directors authorised this Interim Financial Report for issue.