

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

**Contents**

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	<b>Page</b>
<b>Interim Financial Report</b>	
Condensed Consolidated Balance Sheet	1
Condensed Consolidated Income Statements	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Cash Flow Statement	4
Notes to the Interim Financial Report	5 - 15

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

**Condensed Consolidated Balance Sheet**  
**At 31 March 2006**

	<b>31 March 2006</b> RM '000	<b>31 December 2005</b> RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	588,558	566,930
Investments in associate company	*	*
Investments	28,479	26,697
Prepaid lease payments	18,428	18,750
<b>Current assets</b>		
Inventories	16,559	20,444
Trade receivables	18,633	17,681
Other receivables	28,151	21,571
Fixed deposits	116,500	112,500
Cash and bank balances	5,322	32,490
	185,165	204,686
<b>TOTAL ASSETS</b>	820,630	817,063
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share Capital	165,555	165,550
Reserves	378,076	369,955
	543,631	535,505
Minority Interest	-	-
<b>Total Equity</b>	543,631	535,505
<b>Non-Current Liabilities</b>		
Term loans - unsecured	138,734	143,788
Deferred taxation	25,500	25,470
Provision for retirement benefits	15,495	14,629
	179,729	183,887
<b>Current Liabilities</b>		
Trade payables	2,363	2,052
Other payables	88,659	89,496
Term loans (unsecured)	6,552	6,552
Provision for taxation	(1,033)	(1,129)
Retirement benefit obligations	729	700
	97,270	97,671
<b>Total Liabilities</b>	276,999	281,558
<b>TOTAL EQUITY AND LIABILITIES</b>	820,630	817,063
<b>Net assets per share (RM)</b>	<b>1.64</b>	<b>1.62</b>

\* 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 2005.

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

**Condensed Consolidated Income Statements**  
**For the periods ended 31 March 2006**

	<b>3 months ended 31 March 2006 RM'000</b>	<b>3 months ended 31 March 2005 RM'000</b>	<b>Accumulated year-to-date 31 March 2006 RM'000</b>	<b>Accumulated year-to-date 31 March 2005 RM'000</b>
<b>Revenue</b>	40,675	40,647	40,675	40,647
<b>Cost of Sales</b>	25,302	24,367	25,302	24,367
Gross Profit	15,373	16,280	15,373	16,280
Other income				
- Interest income	519	1,026	519	1,026
- Others	883	3,004	883	3,004
Administrative expenses	(7,463)	(8,238)	(7,463)	(8,238)
Finance Cost				
- Interest expense	(2)	(1)	(2)	(1)
<b>Profit before taxation</b>	9,310	12,071	9,310	12,071
Income Tax expense	(1,196)	(1,967)	(1,196)	(1,967)
<b>Profit after taxation</b>	8,114	10,104	8,114	10,104
Minority interest	-	-	-	-
<b>Net Profit for the period</b>	<b>8,114</b>	<b>10,104</b>	<b>8,114</b>	<b>10,104</b>
Earnings per share (sen)				
- Basic	2.45	3.05	2.45	3.05
- Diluted	2.40	N/A	2.40	N/A
Dividend per share (sen)				
- Interim tax exempt dividend	-	-	-	-
- Final tax exempt dividend	-	-	-	-
- Final tax exempt dividend 7% 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 2005.**

**PBA HOLDINGS BHD.**  
**(Incorporated in Malaysia)**

**Condensed Consolidated Statement of Changes in Equity**  
**For the period ended 31 March 2006**

	Share capital RM 000	← Non Distributable →		Distributable Retained profits RM 000	Total RM 000
		Share Premium RM 000	Reserve on Consolidation RM 000		
At 1 January 2006 (As previously stated)	165,550	161,836	53,780	154,339	535,505
Effect of adopting FRS3	-	-	(53,780)	53,780	-
At 1 January 2006 (Restated)	165,550	161,836	-	208,119	535,505
Issuance of shares for ESOS	5	7	-	-	12
Profit after taxation for the period	-	-	-	8,114	8,114
At 31 March 2006	165,555	161,843	-	216,233	543,631
At 1 January 2005	165,500	161,757	53,780	133,502	514,539
Profit after taxation for the period	-	-	-	10,104	10,104
At 31 March 2005	165,500	161,757	53,780	143,606	524,643

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 2005.**

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

**Condensed Consolidated Cash Flow Statement**  
**For the period ended 31 March 2006**

	<b>31 March 2006</b> <b>RM '000</b>	<b>31 March 2005</b> <b>RM '000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,310	12,071
Adjustments for -		
Depreciation	7,998	5,240
Interest expense	-	-
Interest income	(623)	(1,140)
Provision for retirement benefits	1,076	635
Other miscellaneous	(1,807)	102
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	15,954	16,908
Net change in current assets	(3,647)	(2,680)
Net change in current liabilities	(525)	4,595
	<hr/>	<hr/>
<b>Cash generated from operations</b>	11,782	18,823
Interest paid	-	-
Retirement benefits paid	(181)	(196)
Tax paid	(1,071)	(1,149)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	10,530	17,478
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (gross)	210	192
Interest received	623	1,140
Proceeds from disposal of property, plant and equipment	-	15
Proceeds from disposal of investments	5,965	4,792
Purchase of investments	(6,150)	(4,966)
Net purchase of property, plant and equipment	(29,304)	(14,202)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(28,656)	(13,029)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	13	-
Term loans (net)	(5,055)	(26,021)
Dividend paid	-	-
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	(5,042)	(26,021)
<b>Net Increase in cash and cash equivalents</b>	(23,168)	(21,572)
<b>Cash and cash equivalents at 1 January</b>	144,990	175,751
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 March</b>	<u>121,822</u>	<u>154,179</u>
<b>Cash and cash equivalents at 31 March</b>		
Fixed deposits	116,500	151,000
Cash and bank balances	5,322	3,179
	<hr/>	<hr/>
	<u>121,822</u>	<u>154,179</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 2005.

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### **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 2005.** These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

#### **A2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 1	First –time Adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

In addition to the above, the Group has also taken the option of early adoption of the following new/ revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the FRS 102, 108, 110, 116, 121, 124, 127, 128, 132, 133 and 136 does not have significant financial impact on the Group. The principle effects of the changes in accounting policies resulting from the adoption of the other new / revised FRS are discussed below:

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

---

**(a) FRS 2: Share-based Payment**

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled share-based compensation plan for the employees of the Group, the PBA Holdings Bhd Employee Share Options Scheme (ESOS). Prior to 1 January 2006, no compensation was recognised in profit or loss for the share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

This FRS does not have any material financial impact on the Group and no adjustment was made as the ESOS were granted during the reporting period.

**(b) FRS 3: Business Combinations**

This FRS 3 requires goodwill in a business combination to be measure at cost and subject to impairment and any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as reserve on consolidation) is to be recognised immediately in profit or loss. Prior to 1 January 2006, the Group's reserve on consolidation amounting to RM53, 780,000 was stated at cost and was not amortised.

In accordance with the transitional provisions of FRS 3, the reserve on consolidation of RM53,780,000 as at 1 January 2006, was reclassified to opening retained profits as disclosed in Note A3.

**(c) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 had affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**(d) FRS 117: Leases**

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the cost of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 January 2006, leasehold land were classified as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 January 2006, the unamortised revalued amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provision of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note A3, certain comparative amounts as at 31 December 2005 have been restated.

**A3. Comparatives**

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	<b>Previously Stated RM'000</b>	<b>FRS 117 RM'000</b>	<b>Restated RM'000</b>
<b>At 31 December 2005</b>			
Property, plant and equipment	585,680	(18,750)	566,930
Prepaid lease payments	-	18,750	18,750
	=====		



PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### **A4. Auditors' report on preceding annual financial statements**

The audit report of the audited financial statements for the year ended 31 December 2005 was not subject to any qualification.

### **A5. Comments about seasonal or cyclical factors**

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

### **A6. 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 March 2006.

### **A7. Changes in estimates**

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least at each financial year end. The Group standardised the residual value and revised the remaining useful life of Computer Equipment from five to three years and Telecommunication Equipment from ten to three years with effect from 1 January 2006. The revisions were accounted for as a change in accounting estimates and as a result, the depreciation charges for the current quarter and the current financial year to-date ended 31 March 2006 have been increased by RM2.0 million.

There were no other changes in estimates that have had a material effect in the current quarter results.

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

### A8. 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 March 2006, the Company issued 9,900 ordinary shares of RM0.50 each for cash pursuant to the Company's ESOS at exercise price of RM1.29 per ordinary share.

### A9. Dividends paid

	Amount		Net dividends per share	
	31 March 2006 RM'000	31 December 2005 RM'000	31 March 2006 Sen	31 December 2005 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
	-	16,550	-	5.02

No dividend was paid for the current quarter ended 31 March 2006.

### A10. 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.

### A11. Carrying amount of fixed assets

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

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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**A12. Subsequent events**

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

**A13. 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 March 2006.

**A14. 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 2005 except as follows:

	31 March 2006 RM000	31 December 2005 RM000
Corporate Guarantee given to a bank in respect of credit facilities granted to an associate	890 =====	890 =====

**A15. Capital Commitments**

	31 March 2006 RM000	31 December 2005 RM000
Contracted but not provided for in the accounts	90,000	89,000
Approved budget but not contracted for	485,000 =====	515,000 =====

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### **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 March 2006 totalled RM40.7 million, which amount approximated to that of preceding year corresponding periods operating revenue.

The Group attained a profit before taxation of RM9.3 million for the quarter in review, which is 23.1% lower than the preceding year corresponding quarter of RM12.1 million. This was attributed to the increase in operating and maintenance costs and lower other income.

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

The Group recorded profit before taxation of RM9.3 million during the quarter under review as compared to RM6.6 million in the preceding quarter. This was attributed to over billing in the preceding quarter and appreciation of the quoted investments in the current quarter.

#### **B3. Commentary on the prospects**

Barring unforeseen circumstances, the Group should be able to maintain its performance for the rest of the year ending 31 December 2006.

#### **B4. Profit forecast or profit guarantee**

Not applicable.

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 31 March 2006 RM'000	Current year-to-date ended 31 March 2006 RM'000
Current period tax	1,317	1,317
Transfer to deferred taxation account	30	30
Over provision in prior year	(151)	(151)
	1,196	1,196

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 March 2006 is 12.8%.

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 March 2006 RM'000
Profit before taxation	9,310
Taxation at Malaysian statutory tax rate of 28%	2,607
Income not subject to tax	(504)
Expenses not deductible for tax purposes	922
Utilisation of current year reinvestment allowances	(1,678)
Under / (Over) provision of tax in prior years	(151)
Tax expense for the year	1,196

	31 March 2006 RM'000
Unutilised reinvestment allowances	61,905

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

## 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 March 2006 RM'000	Current year-to-date ended 31 March 2006 RM'000
Balance at 01-01-2006 / 01-01-2006	29,495	29,495
Add: Purchase of investments	6,150	6,150
Less : Proceeds from disposal of investments	(5,956)	(5,956)
Less: Loss on disposal of investments	(188)	(188)
Less: Capital Withdrawal	(8)	(8)
	29,493	29,493
Less: Provision for diminution in value of investments	1,014	1,014
Balance at 31-03-2006	28,479	28,479

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

As at 31 March 2006 and 31 December 2005, the funds were invested as follows:

	31 March 2006 RM'000	31 December 2005 RM'000
Shares quoted in Malaysia, at cost	24,657	24,423
Fixed interest securities, at cost	61	-
Fixed deposits with licensed banks	2,675	2,637
Fixed deposits with other corporations	-	-
Money market placement	2,100	2,435
	29,493	29,495
Less: Provision for diminution in value of investments	(1,014)	(2,798)
Total	28,479	26,697

Market value of quoted shares	23,643	21,625
	=====	=====

PBA HOLDINGS BHD.  
(Incorporated in Malaysia)

## Notes to the Interim Financial Report

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### **B8. Corporate proposals**

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

### **B9. Borrowing and debt securities**

	31 December 2005 RM'000	31 December 2005 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	138,734	143,788
	145,286	150,340

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 12 to 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. The financial statements for the financial year and period ended 31 December 2005 and 31 March 2006 respectively do not reflect this proposed final dividend. It will be accounted for in the shareholders' equity as an appropriation of retained profit in financial year 2006 accordingly.

**PBA HOLDINGS BHD.**  
(Incorporated in Malaysia)

## 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 March 2006	Current year-to-date ended 31 March 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,114	8,114
Weighted average number of ordinary shares in issue: ('000)	331,105	331,105
Basic earnings per share (sen)	2.45	2.45

#### (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 March 2006	Current year-to-date ended 31 March 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,114	8,114
Weighted average number of ordinary shares in issue: ('000)	331,105	331,105
Effect of dilution in share option: ('000)	6,418	6,418
Adjusted weighted average number of ordinary shares in issue: ('000)	337,523	337,523
Diluted earnings per share (sen)	2.40	2.40

### **B14. Authorisation for Issue**

On 17 May 2006, the Board of Directors authorised this Interim Financial Report for issue.