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PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 30 June 2006

	30 June 2006 RM '000	31 December 2005 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	615,203	566,930
Investments in associate company	*	*
Investments	28,570	26,697
Prepaid lease payments	18,558	18,750
Current assets		
Inventories	16,487	20,444
Trade receivables	18,735	17,681
Other receivables	25,574	21,571
Fixed deposits	96,500	112,500
Cash and bank balances	4,512	32,490
	<u>161,808</u>	<u>204,686</u>
TOTAL ASSETS	<u><u>824,139</u></u>	<u><u>817,063</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	165,579	165,550
Reserves	369,535	351,625
	<u>535,114</u>	<u>517,175</u>
Minority Interest	-	-
Total Equity	<u><u>535,114</u></u>	<u><u>517,175</u></u>
Non-Current Liabilities		
Term loans - unsecured	138,254	143,788
Deferred taxation	46,000	43,800
Provision for retirement benefits	15,948	14,629
	<u>200,202</u>	<u>202,217</u>
Current Liabilities		
Trade payables	2,265	2,052
Other payables	80,462	89,496
Term loans (unsecured)	6,552	6,552
Provision for taxation	(1,089)	(1,129)
Retirement benefit obligations	633	700
	<u>88,823</u>	<u>97,671</u>
Total Liabilities	289,025	299,888
TOTAL EQUITY AND LIABILITIES	<u><u>824,139</u></u>	<u><u>817,063</u></u>
Net assets per share (RM)	<u><u>1.62</u></u>	<u><u>1.56</u></u>

* 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.

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Condensed Consolidated Income Statements
For the periods ended 30 June 2006

	3 months ended 30 June 2006 RM'000	3 months ended 30 June 2005 RM'000	6 months ended 30 June 2006 RM'000	6 months ended 30 June 2005 RM'000
Revenue	44,041	40,228	84,716	80,875
Cost of Sales	28,152	26,880	53,454	51,247
Gross Profit	15,889	13,348	31,262	29,628
Other income				
- Interest income	2,026	2,085	2,545	3,143
- Others	1,612	2,831	2,495	5,803
Administrative expenses	(6,575)	(6,456)	(14,038)	(14,694)
Finance Cost				
- Interest expense	(1)	(2)	(3)	(3)
Profit before taxation	12,951	11,806	22,261	23,877
Income Tax expense	(4,030)	(2,650)	(4,396)	(4,317)
Profit after taxation	8,921	9,156	17,865	19,560
Minority interest	-	-	-	-
Net Profit for the period	8,921	9,156	17,865	19,560
Earnings per share (sen)				
- Basic	2.69	2.77	5.40	5.91
- Diluted	2.64	N/A	5.29	N/A
Proposed / Declared				
Dividend per share (sen)				
- Interim tax exempt dividend	-	-	-	-
- Final tax exempt dividend	-	-	-	-
- Final 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.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 June 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 reported)	165,550	161,836	53,780	154,339	535,505
Prior Year Adjustment (Deferred Taxation)	-	-	-	(18,330)	(18,330)
At 1 January 2006 (As restated)	165,550	161,836	53,780	136,009	517,175
Effect of adopting FRS3	-	-	(53,780)	53,780	-
Issuance of shares for ESOS	29	45	-	-	74
Profit after taxation for the period	-	-	-	17,865	17,865
At 30 June 2006	165,579	161,881	-	207,654	535,114
At 1 January 2005 (As previously reported)	165,500	161,757	53,780	133,502	514,539
Prior Year Adjustment (Deferred Taxation)	-	-	-	(13,600)	(13,600)
Profit after taxation for the period	-	-	-	19,560	19,560
At 30 June 2005 (As restated)	165,500	161,757	53,780	139,462	520,499

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.

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Condensed Consolidated Cash Flow Statement
For the period ended 30 June 2006

	30 June 2006 RM '000	30 June 2005 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	22,261	23,877
Adjustments for -		
Depreciation	13,790	10,605
Interest expense	-	-
Interest income	(2,678)	(3,308)
Provision for retirement benefits	1,718	2,068
Other miscellaneous	(1,921)	781
	<hr/>	<hr/>
Operating profit before working capital changes	33,170	34,023
Net change in current assets	(1,101)	(4,435)
Net change in current liabilities	(8,820)	(2,224)
	<hr/>	<hr/>
Cash generated from operations	23,249	27,364
Interest paid	-	-
Retirement benefits paid	(466)	(354)
Tax paid	(2,157)	(2,325)
	<hr/>	<hr/>
Net cash from operating activities	20,626	24,685
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	467	532
Interest received	2,678	3,308
Proceeds from disposal of property, plant and equipment	4	17
Proceeds from disposal of investments	13,423	10,465
Purchase of investments	(13,844)	(10,938)
Net purchase of property, plant and equipment	(61,872)	(26,638)
	<hr/>	<hr/>
Net cash used in investing activities	(59,144)	(23,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	74	-
Term loans (net)	(5,534)	(38,545)
Dividend paid	-	-
	<hr/>	<hr/>
Net cash used in financing activities	(5,460)	(38,545)
Net Increase in cash and cash equivalents	(43,978)	(37,114)
Cash and cash equivalents at 1 January	144,990	175,751
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>101,012</u>	<u>138,637</u>
Cash and cash equivalents at 30 June		
Fixed deposits	96,500	136,000
Cash and bank balances	4,512	2,637
	<hr/>	<hr/>
	<u>101,012</u>	<u>138,637</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.

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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 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 112	Income Taxes
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:

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(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 during the reporting period as the ESOS were granted and vested in July 2005.

(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 on the Condensed Consolidated Statement of Changes in Equity.

(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.

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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 112: Income Taxes

In prior years, the Group and the Company recognized deferred tax assets on unused reinvestment allowances as required by FRS 112 paragraph 37. During the current year, the Group and the Company changed its accounting policy and accordingly, deferred tax assets on unused reinvestment allowances are no longer recognized. The effects arising from this change has been accounted for retrospectively and as disclosed in Note A3, certain comparative amounts as at 31 December 2005 has been restated. This change in accounting policy has been accounted for retrospectively and has resulted in the following:

	As at	As at		
	1.1.2006	1.1.2005		
	RM'000	RM'000		
Decrease in retained profits	(18,330)	(13,600)		
Increase in deferred taxation	18,330	13,600		
	=====			
			3 months ended	6 months ended
	30.6.2006	30.6.2005	30.6.2006	30.6.2005
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	3,430	1,100	2,600	800
	=====			

(e) 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.

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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 change in accounting policy on FRS 112 and the adoption of new and revised FRS 117 are as follows:

	As Previously reported RM'000	FRS 112 RM'000	FRS117 RM'000	Restated RM'000
At 31 December 2005				
Property, plant and equipment	585,680	-	(18,750)	566,930
Prepaid lease payments	-	-	18,750	18,750
Deferred Taxation	25,470	18,330	-	43,800
Retained Earnings	154,339	(18,330)	-	136,009
=====				
3 months ended 30 June 2005				
Income tax expense	1,550	1,100	-	2,650
Profit after taxation	10,256	(1,100)	-	9,156
=====				
6 months ended 30 June 2005				
Income tax expense	3,517	800	-	4,317
Profit after taxation	20,360	(800)	-	19,560
=====				

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 30 June 2006.

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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 financial year to-date ended 30 June 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 and current financial year to-date results.

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 30 June 2006, the Company issued 48,100 and 58,000 ordinary shares of RM0.50 each respectively 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	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 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
	-	16,618	-	5.02

No dividend was paid for the current quarter and financial year to-date ended 30 June 2006.

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Notes to the Interim Financial Report

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.

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 30 June 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:

	30 June 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

	30 June 2006 RM000	31 December 2005 RM000
Contracted but not provided for in the accounts	80,000	89,000
Approved budget but not contracted for	462,000	515,000
	=====	=====

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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 revenue for the current quarter and financial year to-date ended 30 June 2006 totalled 44.0 million and 84.7 million, representing 9.5% and 4.7% increase over the preceding year corresponding periods revenue of RM40.2 million and RM80.9 million respectively. The increases were derived mainly from the increase in sales of water and trunk mains contribution in Penang.

The Group attained a profit after taxation of RM8.9 million for the quarter in review, which is 2.2% lower than the preceding year corresponding quarter of RM9.1 million. The reduction was due to higher tax charge in the current quarter as a result of the change in accounting policy on FRS 112 as disclosed in Note A2 and A3.

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

The Group recorded profit after taxation of RM8.9 million during the quarter under review which is consistent with that of the preceding quarter of RM8.9 million. The consistent profit after tax despite the increase in revenue was due to higher tax charge in the current quarter as a result of the change in accounting policy on FRS 112 as disclosed in Note A2 and A3.

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 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 30 June 2006 RM'000	Current year-to-date ended 30 June 2006 RM'000
Current period tax	1,026	2,343
Transfer to deferred taxation account	3,000	2,200
Under / (Over) provision in prior year	4	(147)
	4,030	4,396

The effective tax rate for the current quarter and financial year to-date ended 30 June 2006 is 31.1% and 19.7% respectively.

The higher tax charge in the current quarter ended 30 June 2006 of the Group was due to the change in accounting policy on FRS 112 as disclosed in Note A2 and A3.

The lower tax charge in the financial year to-date ended 30 June 2006 of the Group was due to reinvestment allowance claimed by the subsidiary company.

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 2006 RM'000
Profit before taxation	22,261
Taxation at Malaysian statutory tax rate of 28%	6,233
Income not subject to tax	(462)
Expenses not deductible for tax purposes	1,531
Utilisation of current year reinvestment allowances	(2,759)
Over provision of tax in prior years	(147)
Tax expense for the year	4,396

	30 June 2006 RM'000
Unutilised reinvestment allowances	72,589

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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 2006 RM'000	Current year-to-date ended 30 June 2006 RM'000
Balance at 01-04-2006 / 01-01-2006	29,493	29,495
Add: Purchase of investments	7,694	13,844
Less : Proceeds from disposal of investments	(7,459)	(13,415)
Less: Loss on disposal of investments	44	(144)
Less: Capital Withdrawal	-	(8)
	28,772	29,772
Less: Provision for diminution in value of investments	(1,202)	(1,202)
Balance at 30-06-2006	28,570	28,570

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

As at 30 June 2006 and 31 December 2005, the funds were invested as follows:

	30 June 2006 RM'000	31 December 2005 RM'000
Shares quoted in Malaysia, at cost	25,027	24,423
Fixed interest securities, at cost	(351)	-
Fixed deposits with licensed banks	2,906	2,637
Money market placement	2,190	2,435
	29,772	29,495
Less: Provision for diminution in value of investments	(1,202)	(2,798)
Total	28,570	26,697

Market value of quoted shares	23,825	21,625
	=====	=====

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Notes to the Interim Financial Report

B8. Corporate proposals

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

B9. Borrowing and debt securities

	30 June 2006 RM'000	31 December 2005 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	138,254	143,788
	144,806	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

A final dividend of 7% less tax at 28% amounting to RM8, 344,118 for the financial year ended 31 December 2005 was approved by the shareholders at the Annual General Meeting on 1 June 2006 for payment on 21 July 2006. (30 June 2005: The proposed and approved final dividend of 7% less tax at 28% amounting to RM8, 341, 422 for the financial year ended 31 December 2004 was paid on 18 July 2005.)

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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 June 2006	Current year-to-date ended 30 June 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,921	17,865
Weighted average number of ordinary shares in issue: ('000)	331,111	331,111
Basic earnings per share (sen)	2.69	5.40

(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 June 2006	Current year-to-date ended 30 June 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	8,921	17,865
Weighted average number of ordinary shares in issue: ('000)	331,111	331,111
Effect of dilution in share option: ('000)	6,370	6,370
Adjusted weighted average number of ordinary shares in issue: ('000)	337,481	337,481
Diluted earnings per share (sen)	2.64	5.29

B14. Authorisation for Issue

On 24 August 2006, the Board of Directors authorised this Interim Financial Report for issue.