Contents

Interim Financial Report

PBA HOLDINGS BHD.
(Incorporated in Malaysia)

Condensed Consolidated Balance Sheet
At 31 December 2006

	31 December 2006 RM '000	31 December 2005 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	659,956	566,930
Investments in jointly controlled entity	756	*
Investments	30,267	26,697
Prepaid lease payments	18,646	18,750
Current assets		
Inventories	13,900	20,444
Trade receivables	16,561	17,681
Other receivables	23,305	21,571
Fixed deposits	75,500	112,500
Cash and bank balances	8,049	32,490
	137,315	204,686
TOTAL ASSETS	846,940	817,063
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	165,579	165,550
Reserves	374,864	351,625
	540,443	517,175
Minority Interest	-	-
Total Equity	540,443	517,175
Non-Current Liabilities		
Term loans - unsecured	137,236	143,788
Deferred taxation	49,636	43,800
Provision for retirement benefits	17,508	14,629
	204,380	202,217
Current Liabilities		
Trade payables	1,581	2,052
Other payables	94,396	89,496
Term loans (unsecured)	6,552	6,552
Provision for taxation	(1,269)	(1,129)
Retirement benefit obligations	857	700
	102,117	97,671
Total Liabilities	306,497	299,888
TOTAL EQUITY AND LIABILITIES	846,940	817,063
Net assets per share (RM)	**1.63**	**1.56**

* 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 December 2006

	3 months ended 31 December 2006 RM'000	3 months ended 31 December 2005 RM'000	12 months ended 31 December 2006 RM'000	12 months ended 31 December 2005 RM'000
Revenue	42,330	40,353	172,057	162,618
Cost of Sales	26,530	23,737	108,514	101,801
Gross Profit	15,800	16,616	63,543	60,817
Other income				
- Interest income	373	257	3,380	4,244
- Others	3,722	(1,343)	11,779	6,876
Administrative expenses	(6,911)	(8,885)	(31,154)	(29,446)
Profit from operations	12,984	6,645	47,548	42,491
Finance Cost				
- Interest expense	(5)	(1)	(10)	(8)
Share of profits of jointly cotrolled entity	(650)	-	425	-
Profit before taxation	12,329	6,644	47,963	42,483
Income Tax expense				
Company and subsidiaries	1,678	2,835	8,674	9,758
Jointly controlled entity	5	-	15	-
	(1,683)	(2,835)	(8,689)	(9,758)
Profit after taxation	10,646	3,809	39,274	32,725
Minority interest	-	-	-	-
Net Profit for the period / year	10,646	3,809	39,274	32,725
Earnings per share (sen)				
- Basic	3.21	1.15	11.86	9.89
- Diluted	3.12	1.13	11.52	9.70
Dividend per share (sen)				
- Interim tax exempt dividend	2.50	2.50	2.50	2.50
- Final dividend 7% less tax at 28%	-	-	2.52	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 2005.

PBA HOLDINGS BHD.
(Incorporated in Malaysia)

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

	← Non Distributable			→	Distributable	
	Share capital RM 000	Share Premium RM 000	Reserve on Consolidation RM 000	Other Reserves RM 000	Retained profits RM 000	Total 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 year	-	-	-	-	39,274	39,274
Exchange Fluctuation Reserve (jointly cotrolled entity)	-	-	-	346	-	346
Share options granted under ESOS	-	-	-	197	-	197
Final tax exempt dividend at 7 % less tax 28%	-	-	-	-	(8,344)	(8,344)
Interim tax exempt dividend at 5%	-	-	-	-	(8,279)	(8,279)
At 31 December 2006	165,579	161,881	-	543	212,440	540,443
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)
Issuance of shares for ESOS	50	79	-	-	-	129
Profit after taxation for the year	-	-	-	-	32,725	32,725
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 (As restated)	165,550	161,836	53,780	-	136,009	517,175

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 December 2006

	31 December 2006 RM '000	31 December 2005 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,963	42,483
Adjustments for -		
Depreciation	25,993	21,502
Interest expense	-	-
Interest income	(3,688)	(4,543)
Provision for retirement benefits	3,751	3,818
Provision for diminution in value of investment written back	(2,798)	-
Share of results in jointly controlled entity	(425)	-
Other miscellaneous	(595)	1,997
Operating profit before working capital changes	70,201	65,257
Net change in current assets	5,928	(12,765)
Net change in current liabilities	4,430	8,639
Cash generated from operations	80,559	61,131
Interest paid	-	-
Retirement benefits paid	(715)	(700)
Tax paid	(2,978)	(4,421)
Net cash from operating activities	76,866	56,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (gross)	951	985
Interest received	3,688	4,543
Proceeds from disposal of property, plant and equipment	4	17
Proceeds from disposal of investments	32,279	27,675
Purchase of investments	(33,167)	(26,241)
Net purchase of property, plant and equipment	(118,962)	(83,490)
Net cash used in investing activities	(115,207)	(76,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	75	129
Term loans (net)	(6,552)	6,229
Dividend paid	(16,623)	(16,618)
Net cash used in financing activities	(23,100)	(10,260)
Net Increase in cash and cash equivalents	(61,441)	(30,761)
Cash and cash equivalents at 1 January	144,990	175,751
Cash and cash equivalents at 31 December	83,549	144,990
Cash and cash equivalents at 31 December		
Fixed deposits	75,500	122,500
Cash and bank balances	8,049	22,490
	83,549	144,990

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.

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:

(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. 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.

No adjustment was made for the 1st tranche of ESOS which were granted and vested on 27 July 2005.

On 8 November 2006, the Company granted and vested the 2nd tranche of ESOS amounting to 3,280,800 shares equivalent to the fair value of RM196, 848 to its employees. The fair value of the share options was charged to the income statement and the effect on the balance sheet was disclosed under the Condensed Consolidated Statement of Changes in Equity.

(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.

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 1.1.2006 RM'000	As at 1.1.2005 RM'000
Decrease in retained profits	(18,330)	(13,600)
Increase in deferred taxation	18,330	13,600

	3 months ended		12 months ended	
	31.12.2006 RM'000	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2005 RM'000
Decrease in profit for the period/year	2,136	2,230	7,906	4,730

(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.

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 Profits	154,339	(18,330)	-	136,009
3 months ended 31 Dec 2005				
Income tax expense	605	2,230	-	2,835
Profit after taxation	6,039	(2,230)	-	3,809
12 months ended 31 Dec 2005				
Income tax expense	5,028	4,730	-	9,758
Profit after taxation	37,455	(4,730)	-	32,725

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 cyclicality 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 December 2006.

Notes to the Interim Financial Report

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 31 December 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 financial year to-date ended 31 December 2006, the Company issued 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.

Notes to the Interim Financial Report

A9. Dividends paid

	Amount		Net dividends per share	
	31 December 2006 RM'000	**31 December 2005 RM'000**	**31 December 2006 Sen**	**31 December 2005 Sen**
Interim tax-exempt dividend in respect of financial year ended 31 December 2006 of 5% paid on 22 December 2006	8,279	-	2.50	-
Final tax exempt dividend in respect of financial year ended 31 December 2005 of 7% less tax at 28 % paid on 21 July 2006	8,344	-	2.52	-
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
	16,623	16,618	5.02	5.02

An interim tax exempt dividend of 5% amounting to RM8, 278,945 for the financial year ended 31 December 2006 was paid on 22 December 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.

Notes to the Interim Financial Report

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 31 December 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 December 2006 RM000	31 December 2005 RM000
Corporate Guarantee given to a bank in respect of credit facilities granted to an associate	743	890
	======	======

A15. Capital Commitments

	31 December 2006 RM000	31 December 2005 RM000
Approved Capital Expenditures: -		
(i) Contracted but not provided for in the accounts	72,000	89,000
(ii) Approved but not contracted for	338,000	515,000
	=======	======

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 31 December 2006 totalled 42.3million and 172.1 million, representing 4.9% and 5.8% increase over the preceding year corresponding periods revenue of RM40.3 million and RM162.6 million respectively. The increases were derived mainly from the increase in sales of water.

The Group attained a profit after taxation of RM10.6 million for the quarter in review, which is 178.9% higher than the preceding year corresponding quarter of RM3.8 million. This was mainly attributed to additional other revenue in the current quarter as compared to over billing adjustment made in the preceding year corresponding quarter.

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

The Group recorded profit after taxation of RM10.6 million during the quarter under review, which is consistent with that of the preceding quarter of RM10.7 million.

B3. Commentary on the prospects

The Group foresees challenges in containing cost which may impact on the financial performance in the year 2007.

B4. Profit forecast or profit guarantee

Not applicable.

Notes to the Interim Financial Report

B5. Taxation

The Group tax provision includes the following:

	Current quarter ended 31 December 2006 RM'000	Current year-to-date ended 31 December 2006 RM'000
Current period tax		
- Company and subsidiaries	542	2,960
- Jointly controlled entity	5	15
Transfer to deferred taxation account	1,136	5,836
Under / (Over) provision in prior year	-	(122)
	1,683	8,689

The effective tax rate for the current quarter and financial year to-date ended 31 December 2006 is 13.7% and 18.1% respectively.

The lower effective tax rate 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:

	31 December 2006 RM'000
Profit before taxation	47,963
Taxation at Malaysian statutory tax rate of 28%	13,430
Income not subject to tax	(835)
Expenses not deductible for tax purposes *	1,579
Utilisation of current year reinvestment allowances	(3,499)
Over provision of tax in prior years	(122)
Effect on the change of tax rate to 27% on timing differences	(1,864)
Tax expense for the year	8,689

	31 December 2006 RM'000
Unutilised reinvestment allowances	100,216

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 2006 RM'000	Current year-to-date ended 31 December 2006 RM'000
Balance at 01-10-2006 / 01-01-2006	29,908	29,495
Add: Purchase of investments	13,294	33,167
Less : Proceeds from disposal of investments	(13,053)	(32,271)
Less: Loss on disposal of investments	118	(116)
Less: Capital Withdrawal	-	(8)
	30,267	30,267
Less: Provision for diminution in value of investments	-	-
Balance at 31-12-2006	30,267	30,267

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

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

	31 December 2006 RM'000	31 December 2005 RM'000
Shares quoted in Malaysia, at cost	22,788	24,423
Fixed interest securities, at cost	7	-
Fixed deposits with licensed banks	2,328	2,637
Money market placement	5,144	2,435
	30,267	29,495
Less: Provision for diminution in value of investments	-	(2,798)
Total	30,267	26,697

Market value of quoted shares	26,785	21,625
	======	======

Notes to the Interim Financial Report

B8. Corporate proposals

There is no corporate proposal announced for the current quarter and financial year to-date except as follows:

In June 2006, Yuan He Water Treatment Plant built by Pinang Water Limited (PWL) in Yichun in the People's Republic of China has started supplying water.

PWL is a joint-venture company amongst YLI Holdings Bhd, PBAHB and Ranhill Technologies Sdn Bhd (formerly Ranhill KWI Sdn Bhd) on a 37%: 26%: 37% shareholdings basis. On 13 July 2003, PWL signed a build, operate and transfer (BOT) agreement with the Government of Yichun City to construct the plant. PWL also signed a sale of water agreement with Yichun Water Supply Company (YWSC) for a period of 29 years.

B9. Borrowing and debt securities

	31 December 2006 RM'000	31 December 2005 RM'000
Short Term Borrowings-Local Currency	6,552	6,552
Long Term Borrowings-Local Currency	137,236	143,788
	143,788	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 27% in respect of the financial year ended 31 December 2006 subject to the approval of shareholders at the forthcoming Annual General Meeting.

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 2006	Current year-to-date ended 31 December 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	10,646	39,274
Weighted average number of ordinary shares in issue: ('000)	331,142	331,142
Basic earnings per share (sen)	3.21	11.86

(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 2006	Current year-to-date ended 31 December 2006
Group's profit after taxation attributable to ordinary shareholders: (RM'000)	10,646	39,274
Weighted average number of ordinary shares in issue: ('000)	331,142	331,142
Effect of dilution in share option: ('000)	9,651	9,651
Adjusted weighted average number of ordinary shares in issue: ('000)	340,793	340,793
Diluted earnings per share (sen)	3.12	11.52

B14. Authorisation for Issue

The Board of Directors authorised this Interim Financial Report for issue.