

**PRIVATE & CONFIDENTIAL**

**PBA HOLDINGS BHD**

Company No: 200001012513(515119-U)  
(Incorporated in Malaysia)

**Interim Financial Report**

**30 June 2020**

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Condensed Consolidated Statement of Financial Position  
As at 30 June 2020 - unaudited

	Note	30 June 2020 RM'000	31 December 2019 RM'000
<b>Assets</b>			
Property, plant and equipment	5	1,080,765	1,076,318
Right-of-use assets		194,546	197,297
<b>Total non-current assets</b>		<b>1,275,311</b>	<b>1,273,615</b>
Inventories		8,814	8,971
Trade and other receivables	6	41,602	41,913
Current tax assets		1,528	802
Cash and cash equivalents		135,395	157,957
<b>Total current assets</b>		<b>187,339</b>	<b>209,643</b>
<b>Total assets</b>		<b>1,462,650</b>	<b>1,483,258</b>
<b>Equity</b>			
Share capital		327,579	327,579
Reserves		363,383	350,841
<b>Total equity</b>	7	<b>690,962</b>	<b>678,420</b>
Loans and borrowings	20	21,914	55,485
Deferred income	21	13,486	17,152
Contract liabilities	22	90,173	84,759
Deferred liabilities	23	55,968	56,766
Lease liabilities	24	228,024	228,406
Deferred tax liabilities		142,000	142,000
<b>Total non-current liabilities</b>		<b>551,565</b>	<b>584,568</b>
Trade and other payables		156,357	177,924
Loans and borrowings	20	32,200	5,563
Contract liabilities	22	27,458	31,960
Deferred liabilities	23	1,595	1,595
Lease liabilities	24	2,513	3,191
Current tax liability		-	37
<b>Total current liabilities</b>		<b>220,123</b>	<b>220,270</b>
<b>Total liabilities</b>		<b>771,688</b>	<b>804,838</b>
<b>Total equity and liabilities</b>		<b>1,462,650</b>	<b>1,483,258</b>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the six months ended 30 June 2020 - unaudited

	Note	Three months ended 30 June		Current year-to-date ended 30 June	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Continuing operations</b>					
Revenue	17	84,991	97,004	167,219	181,436
Cost of sales		<u>(57,179)</u>	<u>(58,303)</u>	<u>(115,511)</u>	<u>(113,541)</u>
<b>Gross profit</b>		<u>27,812</u>	<u>38,701</u>	<u>51,708</u>	<u>67,895</u>
Other operating income		2,404	4,015	5,628	9,389
Administrative expenses		<u>(21,977)</u>	<u>(25,822)</u>	<u>(45,663)</u>	<u>(52,125)</u>
<b>Operating profit</b>		<u>8,239</u>	<u>16,894</u>	<u>11,673</u>	<u>25,159</u>
Interest income		435	1,339	1,179	2,388
<b>Profit before interest and tax</b>		<u>8,674</u>	<u>18,233</u>	<u>12,852</u>	<u>27,547</u>
Interest expense		<u>(1)</u>	<u>(10)</u>	<u>(4)</u>	<u>(27)</u>
<b>Profit before tax</b>		<u>8,673</u>	<u>18,223</u>	<u>12,848</u>	<u>27,520</u>
Tax Income/(expense)	18	<u>4</u>	<u>(1,317)</u>	<u>(306)</u>	<u>3,858</u>
<b>Profit for the period</b>		<u>8,677</u>	<u>16,906</u>	<u>12,542</u>	<u>31,378</u>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operation		<u>-</u>	<u>(216)</u>	<u>-</u>	<u>(216)</u>
<b>Total other comprehensive loss for the period</b>		<u>-</u>	<u>(216)</u>	<u>-</u>	<u>(216)</u>
<b>Total comprehensive income for the period</b>		<u>8,677</u>	<u>16,690</u>	<u>12,542</u>	<u>31,162</u>
<b>Earnings per share (sen) :</b>	27	<u>2.62</u>	<u>5.11</u>	<u>3.79</u>	<u>9.48</u>

Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2020 - unaudited

	/---Non-distributable---/ Foreign Currency Translation Reserve		Distributable Retained Earnings	Total Equity
	Share Capital RM'000	Treasury Shares RM'000	RM'000	RM'000
At 1 January 2019 As previously stated	327,579	(235)	368,313	695,873
Effects of adopting MFRS 16			(30,805)	(30,805)
As 1 January 2019 (restated)	327,579	(235)	337,508	665,068
Realisation of foreign currency translation reserve to profit or loss upon liquidation	-	-	-	(216)
Profit for the period	-	-	31,378	31,378
Total comprehensive income for the period	-	-	31,378	31,162
At 30 June 2019	327,579	(235)	368,886	696,230

Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2020 - unaudited

	/---Non-distributable---/ Foreign Currency Translation Reserve		Distributable Retained Earnings	Total Equity	
	Share Capital RM'000	Treasury Shares RM'000	RM'000	RM'000	
At 1 January 2020	327,579	(236)	-	351,077	678,420
Profit for the period	-	-	-	12,542	12,542
Total comprehensive income for the period	-	-	-	12,542	12,542
At 30 June 2020	327,579	(236)	-	363,619	690,962

Condensed Consolidated Statement of Cash Flows  
For the six months ended 30 June 2020 - unaudited

	Six months ended 30 June	
	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	12,848	27,520
<b>Adjustments for :</b>		
Accretion of interest	6,596	-
Expected credit losses of trade and other receivables	1,632	3,973
Allowance for expected credit losses recovered	(1,014)	-
Amortisation of assets transferred from customers	(1,165)	(2,383)
Amortisation of deferred liabilities	(798)	(798)
Depreciation of property, plant and equipment	31,320	29,480
Depreciation of right-of-use assets	3,429	3,404
Distribution income from investment in short term funds	(1,179)	(2,597)
Gain on disposal of property, plant and equipment	(81)	(145)
Interest income	(954)	(398)
Inventories written down	(40)	(1,901)
Property, plant and equipment expensed off	167	-
Property, plant and equipment written off	37	194
Realisation of government grant	(969)	(2,677)
Reversal of inventories written down	-	652
Unwinding of discount on loans and borrowings	969	2,677
<b>Operating profit before working capital changes</b>	<b>50,798</b>	<b>57,001</b>
Inventories	196	2,068
Receivables	(348)	(9,187)
Payables	(15,732)	(21,527)
Contract liabilities	(4,633)	7,048
<b>Cash generated from operations</b>	<b>30,281</b>	<b>35,403</b>
Income tax paid	(1,068)	(1,056)
Income tax refunded	-	23
<b>Net cash from operating activities</b>	<b>29,213</b>	<b>34,370</b>
<b>Cash flows from investing activities</b>		
Interest received	954	398
Distribution income received	1,179	2,597
Proceeds from disposal of PPE	81	36
Purchase of PPE	(29,263)	(17,279)
<b>Net cash used in investing activities</b>	<b>(27,049)</b>	<b>(14,248)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(5,792)	(5,792)
Payment of lease liabilities	(8,334)	(1,657)
Repayment of government loans	(10,600)	(600)
<b>Net cash from financing activities</b>	<b>(24,726)</b>	<b>(8,049)</b>
Net increase in cash and cash equivalents	(22,562)	12,073
Cash and cash equivalents at beginning	157,957	182,476
<b>Cash and cash equivalents at end</b>	<b>135,395</b>	<b>194,549</b>

**Cash and cash equivalents**

Cash and cash equivalents included in the condensed consolidated statement of cash flow comprise :

	Six months ended 30 June	
	2020 RM'000	2019 RM'000
Cash and bank balances	36,947	25,934
Short-term deposits with licensed banks	98,448	168,615
	<b>135,395</b>	<b>194,549</b>

## Notes to the Condensed Consolidated Interim Financial Statements

PBA Holdings Bhd is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Condensed Consolidated Interim Financial Statements of the Group as at and for the period ended 30 June 2020 comprises the Company and its subsidiaries (together referred to as the Group).

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2019 are available upon request from the Company's registered office at:

Level 32, Komtar  
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on 26 August 2020.

### 1. Basis of preparation

These condensed consolidated interim financial statements ("Condensed Report") have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and MFRS 134 *Interim Financial Reporting* in Malaysia and with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

### 2. Significant accounting policies

#### 2.1 Adoption of Standards, Amendments to Standards, Annual Improvements to Standards and Issues Committee ("IC") Interpretation

The accounting policies adopted in the preparation of the Condensed Report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2019, except for the adoption of the following new standards with effect from 1 January 2020:

*Amendments to References to the Conceptual Framework in MFRS Standards*  
*Amendments to MFRS 3 Business Combinations: Definition of a Business*  
*Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*  
*Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform*

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group upon adoption.

#### 2.2 Standards issued but not yet effective

As at the date of authorization of this Condensed Report, the following Standards and Amendments to Standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group.

Effective for financial periods beginning on or after 1 January 2021

*MFRS 17 Insurance Contracts*



## Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 January 2022

*Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current*

Effective date yet to be confirmed

*Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

### 3. Changes in estimates

The preparation of interim financial statements requires management to make judgements, estimations and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2019.

### 4. Seasonality of operations

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

### 5. Property, plant and equipment

#### a) Acquisition and disposals

During the period ended 30 June 2020, the Group acquired assets with a cost of RM29.26 million (30 June 2019 : RM17.28 million).

Other assets with a carrying amount of RM0.04 million were written off during the period ended 30 June 2020 (30 June 2019 : RM0.19 million).

#### b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Charge for the period				
- Property, plant and equipment	15,861	14,593	31,320	29,480
- Right-of-use assets	1,705	1,705	3,429	3,404
	<u>17,566</u>	<u>16,298</u>	<u>34,749</u>	<u>32,884</u>

## Notes to the Condensed Consolidated Interim Financial Statements

### c) Capital commitments

	At 30 June 2020 RM'000	At 31 December 2019 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	150,000	87,000
ii) Authorised but not contracted for	321,000	183,000

### d) Transfer of assets from customers

During the period ended 30 June 2020, assets transferred from Customers amounted to RM6.71 million (30 June 2019 : RM7.86 million)

### 6. Trade and other receivables

	At 30 June 2020 RM'000	At 31 December 2019 RM'000
<b>Trade</b>		
Trade receivables	37,173	38,299
Less: Allowance for expected credit losses	(8,638)	(8,044)
	<u>28,535</u>	<u>30,255</u>
<b>Non-trade</b>		
Other receivables	7,354	8,618
Less: Allowance for expected credit losses	(2,988)	(2,958)
	4,366	5,660
Deposits	8,278	5,687
Prepayments	423	311
	<u>13,067</u>	<u>11,658</u>
	<u>41,602</u>	<u>41,913</u>

### 7. Total equity

No additional issuance of share capital as at 30 June 2020.

### Treasury shares

During the period ended 30 June 2020, there was no repurchase of issued ordinary shares from the open market (30 June 2019 : Nil).

### 8. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial period ended 30 June 2020.

### 9. Operating segments

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the chief operating decision maker) reviews internal management reports on the reportable segment on a quarterly basis.

## Notes to the Condensed Consolidated Interim Financial Statements

Accordingly, information by operating segment on the Group's operations as required by MFRS 8 is not presented.

### 10. Subsequent event

There are no material events subsequent to the statement of financial position up to the date of the issuance of this report except the following:-

- (a) The World Health Organisation declared the 2019 Novel Coronavirus outbreak ("COVID-19") a pandemic on 11 March 2020. This was followed by the Federal Government issuing a Gazetted Order known as the Movement Control Order ("MCO") / Conditional Movement Control Order ("CMCO") / Recovery Movement Control Order ("RMCO") which was effective from 18 March 2020.

The COVID-19 pandemic could have a significant impact to the Group's financial performance for the financial year ending 31 December 2020 due to the disruption of economic activity globally. Coupled with the collapse of oil prices and increasing unemployment, the global economy is forecasted to go into a deep recession and Malaysia is not spared.

The financial impact on the Group's performance, if any, will be reflected in the financial year ending 31 December 2020. At this juncture, management is not in a position to quantify the potential damage to be suffered due to the uncertainties prevailing within and outside the country.

- (b) The subsidiary of the Company had obtained a term loan of RM80 million on 1 June 2016 from the State Government of Penang to finance its capital expenditure projects with a repayment period of 10 years and interest rate of 4% per annum to be charged upon commencement of repayment of the Term Loan on 3 May 2020.

On 26 November 2019, the subsidiary had made a partial settlement of the term loan through an initial repayment of RM40 million.

On 15 April 2020, the State Government of Penang had agreed to grant the subsidiary a special waiver of interest for the early settlement of the remaining term loan of RM40 million.

On 24 April 2020, the management has begun to make early settlement of the remaining RM40 million in 4 bi-monthly instalments of RM10 million per instalment beginning from May 2020 until November 2020.

### 11. Contingencies

There are no contingencies for the period under review.

### 12. Related parties

There are no significant transactions and changes with Government related entities and key management personnel compensation for the period save as disclosed in Note 20 Loans and borrowings.

## Notes to the Condensed Consolidated Interim Financial Statements

**NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:  
Chapter 9, Appendix 9B, Part A.****13. Review of Group performance**

Group revenue for the quarter ended 30 June 2020 decreased by RM12.0 million or 12.4% as compared to the corresponding quarter in 2019. The Group registered a profit before tax of RM8.7 million as compared to the preceding year's corresponding quarter of RM18.2 million. The decrease is mainly due to the COVID-19 pandemic where many companies were not operating due to the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") from 18.3.2020 until 9.6.2020.

	Individual Period 2nd quarter		Changes RM'000	Changes %
	Current period Quarter	Preceding Year Corresponding Quarter		
	30/6/2020 RM'000	30/6/2019 RM'000		
Revenue	84,991	97,004	(12,013)	-12.4%
Operating Profit	8,239	16,894	(8,655)	-51.2%
Profit before interest and tax	8,674	18,233	(9,559)	-52.4%
Profit before tax	8,673	18,223	(9,550)	-52.4%
Profit after tax	8,677	16,906	(8,229)	-48.7%
Profit attributable to ordinary equity holders of the parent	8,677	16,906	(8,229)	-48.7%
Total comprehensive profit for the period	8,677	16,906	(8,229)	-48.7%

**14. Variation of results against preceding quarter**

Group revenue increased from RM82.2 million to RM85.0 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM8.7 million as compared to the immediate preceding quarter of RM4.2 million primarily due to the decrease in administrative expenses.

	Individual Period 2nd quarter		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	30/6/2020 RM'000	31/3/2020 RM'000		
Revenue	84,991	82,228	2,763	3.4%
Operating profit	8,239	3,434	4,805	>100%
Profit before interest and tax	8,674	4,178	4,496	>100%
Profit before tax	8,673	4,175	4,498	>100%
Profit after tax	8,677	3,865	4,812	>100%
Profit attributable to ordinary equity holders of the parent	8,677	3,865	4,812	>100%
Total comprehensive profit for the period	8,677	3,865	4,812	>100%

## Notes to the Condensed Consolidated Interim Financial Statements

**15. Current year prospects**

Water billing for April and May 2020 was based on estimates. This could cause some revision to revenue as the estimates are historical in nature and some companies were not operating due to the Movement Control Order (“MCO”) / Conditional Movement Control Order (“CMCO”) / Recovery Movement Control Order (“RMCO”).

The Covid-19 pandemic will also impact business levels and consumption patterns adversely. Domestic consumption, which is highly subsidised is expected to increase, while trade consumption which cross-subsidises domestic consumers, will decline.

**16. Profit forecast or profit guarantee**

Not applicable.

**17. Revenue**

Timing of revenue recognition by point in time and over time are as follows:

	Three months ended			Current year to-date ended		
	30 June			30 June		
	2020	2019	Changes	2020	2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	68,388	85,825	-20%	148,826	166,600	-11%
Capital contribution funds	15,769	8,868	78%	16,479	11,802	40%
Others	834	2,311	-64%	1,914	3,034	-37%
	<u>84,991</u>	<u>97,004</u>	<u>-12%</u>	<u>167,219</u>	<u>181,436</u>	<u>-8%</u>
Timing of revenue recognition:						
- At a point in time	84,498	95,004	-11%	166,054	179,052	-7%
- Over time	493	2,000	-75%	1,165	2,384	-51%
	<u>84,991</u>	<u>97,004</u>	<u>-12%</u>	<u>167,219</u>	<u>181,436</u>	<u>-8%</u>

**18. Income tax expense**

	Three months ended		Current year to-date ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Current income tax</b>				
Current year	(4)	585	306	1,410
Under provision in prior year	-	732	-	732
	<u>(4)</u>	<u>1,317</u>	<u>306</u>	<u>2,142</u>
<b>Deferred Tax</b>				
Origination and reversal of temporary differences	-	-	-	(6,000)
Income tax expense continuing operations	<u>(4)</u>	<u>1,317</u>	<u>306</u>	<u>(3,858)</u>

Income tax expense is recognised based on management's best estimates of the weighted average annual income tax expected for the full year applied to the pre-tax income of the interim period.

## Notes to the Condensed Consolidated Interim Financial Statements

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 year to-date is as follows:

	<b>30 June 2020</b> <b>RM'000</b>
Profit before taxation	12,848
Taxation at Malaysian statutory tax rate of 24%	3,084
Income not subject to tax	(3,461)
Expenses not deductible for tax purposes	683
Tax expense for the period	306

Unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment immediately following the gazettelement of the Finance Act 2018. Based on existing legislation, as at 30 June 2020, it is anticipated that only RM10 million out of the RM609 million (30 June 2019 : RM22.4 million out of RM608 million) available will be utilised to set-off against future taxable profits in the next five years (2019: six years).

### 19. Corporate proposals

There are no corporate proposals which have been announced for the current quarter and current financial year to-date.

### 20. Loans and borrowings

- i) The unsecured and interest free term loan was obtained from the Federal Government via the State Government of Penang to finance Non Revenue Water (NRW) projects :
- a) RM20 million : repayable over 20 years period with effect from 11 September 2016
  - b) RM24 million : repayable over 20 years period with effect from 10 December 2018

The subsidiary company has fully drawdown RM20 million from the 1<sup>st</sup> term loan agreement and RM24 million from the 2<sup>nd</sup> term loan agreement.

- ii) On 1 June 2016, the subsidiary of the Company obtained a loan from the State Government amounting to RM80 million to finance capital expenditure projects. The loan is unsecured with 4.0% interest p.a.. The subsidiary has fully drawdown RM80 million. The loan is repayable over a 10 year period with effect from 3 May 2020.

On 26 November 2019, the subsidiary of the Company had made an early repayment of RM40 million to the State Government as partial settlement.

On 24 April 2020, the management has begun to make early settlement of the remaining RM40 million in 4 bi-monthly instalments of RM10 million per instalment beginning from May 2020 until November 2020.

## Notes to the Condensed Consolidated Interim Financial Statements

	At 30 June 2020 RM'000	At 31 December 2019 RM'000
<b>Unsecured</b>		
<b>i) Loan from Federal Government via the State Government of Penang</b>		
Nominal value of loans	38,200	40,400
Less: Deemed interest recognised as government grant	(14,025)	(15,401)
Add: Amortised interest	665	1,375
Less: Repayment	(600)	(2,200)
	24,240	24,174
<b>ii) Loan from State Government of Penang</b>		
Nominal value of loans	40,000	80,000
Less: Deemed interest recognised as government grant	(3,126)	(27,557)
Add: Amortised interest	304	1,181
Realisation upon repayment	2,696	23,250
Less: Repayment	(10,000)	(40,000)
	29,874	36,874
	54,114	61,048
Analysed as:		
Non-current	21,914	55,485
Current	32,200	5,563
	54,114	61,048

**21. Deferred income**

	At 30 June 2020 RM'000	At 31 December 2019 RM'000
<b>Government grant</b>		
Balance at beginning	17,152	42,958
Transfer from loans and borrowings	(2,696)	(23,250)
Less : Amortisation	(970)	(2,556)
	13,486	17,152

Government grant represents the difference between the nominal value of the loans obtained as mentioned in Note 20 and the fair value of the loans measured on initial recognition. The government grant is realised over the period from the initial loan drawdown date up to the maturity date of the loans. There are two types of term loans taken by the Company, i.e.

- (i) RM44 million interest-free loans from the Federal Government via the State Government of Penang to finance Non-Revenue Water projects, and
- (ii) RM80 million interest bearing loan at 4% p.a. from the State Government of Penang to finance the Company's capital expenditure projects.

## Notes to the Condensed Consolidated Interim Financial Statements

**22. Contract liabilities**

	<b>At 30 June 2020 RM'000</b>	<b>At 31 December 2019 RM'000</b>
<b>Capital contribution funds ("CCF")</b>		
Balance at beginning	30,093	20,964
Additions during the period	11,846	31,076
Less : Recognised in revenue	(16,479)	(21,947)
	<u>25,460</u>	<u>30,093</u>
<b>Transfer of assets from customers</b>		
Balance at beginning	86,626	69,501
Additions during the period	6,709	20,596
Less : Amortisation	(1,164)	(3,471)
	<u>92,171</u>	<u>86,626</u>
	<b><u>117,631</u></b>	<b><u>116,719</u></b>
Analysed as:		
Non-current	90,173	84,759
Current	27,458	31,960
	<u>117,631</u>	<u>116,719</u>

The contract liabilities from Capital Contribution Funds (CCF) and transfer of assets from customers consist of the fair value of the assets transferred to a subsidiary company. The contract liabilities are amortised over the useful life of the CCF and transferred assets.

**23. Deferred liabilities**

	<b>At 30 June 2020 RM'000</b>	<b>At 31 December 2019 RM'000</b>
Non-current	55,968	56,766
Current	1,595	1,595
	<u>57,563</u>	<u>58,361</u>

Pursuant to migration of the Penang State Water Assets and the loans to Pengurusan Aset Air Berhad ("PAAB") in the financial year 2011, the Company had entered into Facility and Lease Agreements ("FLA") with PAAB to enable water supply services to be carried out on the lands leased from PAAB. The FLA is effective for a period of 45 years from 1 August 2011.

Following the above events, the outstanding balance of the loans obtained from the Federal Government via the State Government of Penang was converted into lease incentives, classified under deferred liabilities and are amortised over the lease period of 45 years with effect from 1 August 2011.



Notes to the Condensed Consolidated Interim Financial Statements

**24. Lease liabilities**

	<b>At 30 June 2020 RM'000</b>	<b>At 31 December 2019 RM'000</b>
<b>Lease liabilities</b>		
Balance at beginning	231,597	234,916
Additions during the period	677	
Accretion of interest	6,597	13,343
Payments	(8,334)	(16,662)
	<u>230,537</u>	<u>231,597</u>
Analysed as:		
Non-current	228,024	228,406
Current	2,513	3,191
	<u>230,537</u>	<u>231,597</u>

**25. Material litigation**

As at 26 August 2020, there was no material litigation against the Group.

**26. Dividends**

The Board of Directors recommend a single tier final dividend of 1.75 sen per share amounting to RM5,792,000 for the financial year ended 31 December 2019 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2018 - single tier final dividend of 1.75 sen per share amounting to RM5,792,000).

## Notes to the Condensed Consolidated Interim Financial Statements

**27. Earnings per ordinary share**

	<b>Three months ended 30 June 2020 Continuing operations RM'000</b>	<b>Three months ended 30 June 2019 Continuing operations RM'000</b>	<b>Current year to-date 30 June 2020 Continuing operations RM'000</b>	<b>Current year to-date 30 June 2019 Continuing operations RM'000</b>
Profit for the period	8,677	16,906	12,542	31,378
	<b>Three months ended 30 June 2020 '000 Shares</b>	<b>Three months ended 30 June 2019 '000 Shares</b>	<b>Current year to-date 30 June 2020 '000 Shares</b>	<b>Current year to-date 30 June 2019 '000 Shares</b>
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(273)	(272)	(273)	(272)
Weighted average number of ordinary shares	330,998	330,999	330,998	330,999
	<b>Three months ended 30 June 2020 Continuing operations Sen</b>	<b>Three months ended 30 June 2019 Continuing operations Sen</b>	<b>Current year to-date 30 June 2020 Continuing operations Sen</b>	<b>Current year to-date 30 June 2019 Continuing operations Sen</b>
Earnings per share	2.62	5.11	3.79	9.48

Notes to the Condensed Consolidated Interim Financial Statements

**28. Auditor's report on preceding annual financial statements**

The auditor's report on the audited annual financial statements for the year ended 31 December 2019 was not qualified.

**29. Notes to the Condensed Statement of Comprehensive Income**

	<b>Three months ended 30 June 2020 RM'000</b>	<b>Year to-date 30 June 2020 RM'000</b>
a) Other Operating Income	(2,404)	(5,628)
b) Interest Income	(435)	(1,179)
c) Interest expense	1	4
d) Depreciation	17,566	34,749
e) Expected credit loss on trade and other receivables	571	1,632