

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

31 March 2021

Contents

| | Page |
|---|-------------|
| Interim Financial Report | |
| Condensed Consolidated Statement of Financial Position | 1 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 2 |
| Condensed Consolidated Statement of Changes in Equity | 3 |
| Condensed Consolidated Statement of Cash Flows | 4 |
| Notes to the Condensed Consolidated Interim Financial Statements | 5 - 15 |

Condensed Consolidated Statement of Financial Position
As at 31 March 2021 - unaudited

| | Note | 31 March 2021 RM'000 | 31 December 2020 RM'000 |
|--------------------------------------|------|-------------------------|----------------------------|
| Assets | | | |
| Property, plant and equipment | 5 | 1,112,252 | 1,121,743 |
| Right-of-use assets | | 190,124 | 191,404 |
| Total non-current assets | | <u>1,302,376</u> | <u>1,313,147</u> |
| Inventories | | 8,421 | 8,948 |
| Trade and other receivables | 6 | 31,411 | 34,409 |
| Current tax assets | | 1,302 | 1,231 |
| Cash and cash equivalents | | 112,964 | 107,817 |
| Total current assets | | <u>154,098</u> | <u>152,405</u> |
| Total assets | | <u>1,456,474</u> | <u>1,465,552</u> |
| Equity | | | |
| Share capital | | 327,579 | 327,579 |
| Reserves | | 375,817 | 365,669 |
| Total equity | 7 | <u>703,396</u> | <u>693,248</u> |
| Loans and borrowings | 20 | 20,824 | 21,104 |
| Deferred income | 21 | 12,376 | 12,696 |
| Contract liabilities | 22 | 96,109 | 93,978 |
| Deferred liabilities | 23 | 54,772 | 55,171 |
| Lease liabilities | 24 | 225,070 | 225,554 |
| Deferred tax liabilities | | 151,000 | 148,000 |
| Total non-current liabilities | | <u>560,151</u> | <u>556,503</u> |
| Trade and other payables | | 165,143 | 177,600 |
| Loans and borrowings | 20 | 2,200 | 2,200 |
| Contract liabilities | 22 | 20,480 | 30,883 |
| Deferred liabilities | 23 | 1,595 | 1,595 |
| Lease liabilities | 24 | 3,502 | 3,502 |
| Current tax liability | | 7 | 21 |
| Total current liabilities | | <u>192,927</u> | <u>215,801</u> |
| Total liabilities | | <u>753,078</u> | <u>772,304</u> |
| Total equity and liabilities | | <u>1,456,474</u> | <u>1,465,552</u> |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the three months ended 31 March 2021 - unaudited

| | Note | Three months ended 31 March | | Current year-to-date ended 31 March | |
|---|------|--------------------------------|-----------------|--|-----------------|
| | | 2021 RM'000 | 2020 RM'000 | 2021 RM'000 | 2020 RM'000 |
| Continuing operations | | | | | |
| Revenue | 17 | 87,733 | 82,228 | 87,733 | 82,228 |
| Cost of sales | | <u>(53,944)</u> | <u>(58,332)</u> | <u>(53,944)</u> | <u>(58,332)</u> |
| Gross profit | | <u>33,789</u> | <u>23,896</u> | <u>33,789</u> | <u>23,896</u> |
| Other operating income | | 2,990 | 3,224 | 2,990 | 3,224 |
| Administrative expenses | | <u>(23,758)</u> | <u>(23,686)</u> | <u>(23,758)</u> | <u>(23,686)</u> |
| Operating profit | | <u>13,021</u> | <u>3,434</u> | <u>13,021</u> | <u>3,434</u> |
| Interest income | | 234 | 744 | 234 | 744 |
| Profit before interest and tax | | <u>13,255</u> | <u>4,178</u> | <u>13,255</u> | <u>4,178</u> |
| Interest expense | | <u>(3)</u> | <u>(3)</u> | <u>(3)</u> | <u>(3)</u> |
| Profit before tax | | <u>13,252</u> | <u>4,175</u> | <u>13,252</u> | <u>4,175</u> |
| Tax expense | 18 | <u>(3,104)</u> | <u>(310)</u> | <u>(3,104)</u> | <u>(310)</u> |
| Net profit, representing total comprehensive income for the period | | <u>10,148</u> | <u>3,865</u> | <u>10,148</u> | <u>3,865</u> |
| Earnings per share (sen) : | 27 | <u>3.07</u> | <u>1.17</u> | <u>3.07</u> | <u>1.17</u> |

Condensed Consolidated Statement of Changes in Equity
For the three months ended 31 March 2021 - unaudited

| | Share Capital RM'000 | Treasury Shares RM'000 | Distributable Retained Earnings RM'000 | Total Equity RM'000 |
|---|----------------------------|------------------------------|---|---------------------------|
| At 1 January 2020 | 327,579 | (236) | 351,077 | 678,420 |
| Total comprehensive income for the period | - | - | 3,865 | 3,865 |
| At 31 March 2020 | <u>327,579</u> | <u>(236)</u> | <u>354,942</u> | <u>682,285</u> |
| At 1 January 2021 | 327,579 | (236) | 365,669 | 693,248 |
| Total comprehensive income for the period | - | - | 10,148 | 10,148 |
| At 31 March 2021 | <u>327,579</u> | <u>(236)</u> | <u>375,817</u> | <u>703,396</u> |

Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2021 - unaudited

| | Three months ended 31 March | |
|---|-----------------------------|-----------------|
| | 2021 RM'000 | 2020 RM'000 |
| Cash flows from operating activities | | |
| Profit before tax | 13,252 | 4,175 |
| Adjustments for : | | |
| Accretion of interest | 3,250 | 3,297 |
| Expected credit losses of trade and other receivables | 989 | 1,061 |
| Allowance for expected credit losses recovered | (427) | (356) |
| Amortisation of assets transferred from customers | (529) | (672) |
| Amortisation of deferred liabilities | (399) | (399) |
| Depreciation of property, plant and equipment | 15,819 | 15,459 |
| Depreciation of right-of-use assets | 1,682 | 1,724 |
| Distribution income from investment in short term funds | (126) | (744) |
| Gain on disposal of property, plant and equipment | (8) | (81) |
| Interest income | (269) | (531) |
| Inventories written down | - | (40) |
| Property, plant and equipment expensed off | - | 155 |
| Property, plant and equipment written off | - | 37 |
| Realisation of government grant | (320) | (487) |
| Unwinding of discount on loans and borrowings | 320 | 487 |
| Operating profit before working capital changes | 33,234 | 23,085 |
| Inventories | 528 | 98 |
| Receivables | 12,440 | (2,559) |
| Payables | (18,325) | (19,302) |
| Contract liabilities | (10,421) | 7,855 |
| Cash generated from operations | 17,456 | 9,177 |
| Income tax paid | (188) | (534) |
| Net cash from operating activities | 17,268 | 8,643 |
| Cash flows from investing activities | | |
| Interest received | 269 | 531 |
| Distribution income received | 126 | 744 |
| Proceeds from disposal of PPE | 8 | 81 |
| Purchase of PPE | (3,652) | (9,267) |
| Net cash used in investing activities | (3,249) | (7,911) |
| Cash flow from financing activities | | |
| Dividends paid | (4,137) | (5,792) |
| Payment of lease liabilities | (4,135) | (4,167) |
| Repayment of government loans | (600) | (600) |
| Net cash used in financing activities | (8,872) | (10,559) |
| Net increase in cash and cash equivalents | 5,147 | (9,827) |
| Cash and cash equivalents at beginning | 107,817 | 157,957 |
| Cash and cash equivalents at end | 112,964 | 148,130 |

Cash and cash equivalents

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

| | Three months ended 31 March | |
|---|-----------------------------|----------------|
| | 2021 RM'000 | 2020 RM'000 |
| Cash and bank balances | 40,868 | 17,854 |
| Short-term deposits with licensed banks | 72,096 | 130,276 |
| | 112,964 | 148,130 |

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 31 March 2021 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 2020 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 28 May 2021.

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 2020.

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 2020, except for the adoption of the following new standards:

Effective for financial periods beginning on or after 1 June 2020

Amendments to MFRS 16 Leases: Covid-19 Related Rent Concessions

Effective for financial periods beginning on or after 1 January 2021

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform – Phase 2

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 authorisation 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.

Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases: Covid-19 – Related Rent Concessions beyond 30 June 2021

Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 – 2020

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Amendments to MFRS 101 Presentation of Financial Statements – Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

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 2020.

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 31 March 2021, the Group acquired assets with a cost of RM3.65 million (31 March 2020 : RM9.27 million).

No assets were written off during the period ended 31 March 2021 (31 March 2020 : RM0.04 million).

Notes to the Condensed Consolidated Interim Financial Statements

b) Depreciation and amortisation

| | Three months ended | | Current year to-date ended | |
|---------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2021 RM'000 | 31 March 2020 RM'000 | 31 March 2021 RM'000 | 31 March 2020 RM'000 |
| Charge for the period | | | | |
| - Property, plant and equipment | 15,819 | 15,459 | 15,819 | 15,459 |
| - Right-of-use assets | 1,682 | 1,724 | 1,682 | 1,724 |
| | <u>17,501</u> | <u>17,183</u> | <u>17,501</u> | <u>17,183</u> |

c) Capital commitments

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|---------------------------------------|-------------------------------|----------------------------------|
| Approved Capital Expenditure:- | | |
| i) Contracted but not provided for | 27,000 | 35,000 |
| ii) Authorised but not contracted for | <u>373,000</u> | <u>371,000</u> |

d) Transfer of assets from customers

During the period ended 31 March 2021, assets transferred from Customers amounted to RM2.68 million (31 March 2020: RM2.74 million)

6. Trade and other receivables

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|---|-------------------------------|----------------------------------|
| Trade | | |
| Trade receivables | 29,560 | 30,893 |
| Less: Allowance for expected credit lossess | (9,331) | (8,800) |
| | <u>20,229</u> | <u>22,093</u> |
| Non-trade | | |
| Other receivables | 7,889 | 8,004 |
| Less: Allowance for expected credit lossess | (3,100) | (3,068) |
| | <u>4,789</u> | <u>4,936</u> |
| Deposits | 5,997 | 6,460 |
| Prepayments | 396 | 920 |
| | <u>11,182</u> | <u>12,316</u> |
| | <u>31,411</u> | <u>34,409</u> |

7. Total equity

No additional issuance of share capital as at 31 March 2021.

Treasury shares

During the period ended 31 March 2021, there was no repurchase of issued ordinary shares from the open market (31 March 2020 : Nil).

Notes to the Condensed Consolidated Interim Financial Statements

8. Changes in composition of the Group

There are no changes in the composition of the Group for the current quarter and current financial year to-date ended 31 March 2021.

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.

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

10. Significant event

The Federal Government had issued the Movement Control Order 2.0 ("MCO 2.0"), Conditional Movement Control Order ("CMCO") and Movement Control Order 3.0 ("MCO 3.0") which took effect from 13 January 2021 until 7 June 2021.

With the pandemic continuing and amid the high number of cases in the country, uncertainty pervades the economy and business outlook. The Group will monitor closely the development of the pandemic while taking measures to safeguard its employees to ensure it is able to continue water supplies, which is an essential service.

Based on the assessment and information available at the date of this report, the Group is able to continue its business as a going concern.

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 31 March 2021 increased by RM5.5 million or 6.7% as compared to the corresponding quarter in 2020. The Group registered a profit before tax of RM13.3 million as compared to the preceding year's corresponding quarter of RM4.2 million. This is mainly due to the increase in revenue generated from capital contribution funds.

| | Individual Period 1st quarter | | Changes RM'000 | Changes % |
|---|----------------------------------|--|-------------------|--------------|
| | Current period Quarter | Preceding Year Corresponding Quarter | | |
| | 31/03/2021 RM'000 | 31/03/2020 RM'000 | | |
| Revenue | 87,733 | 82,228 | 5,505 | 6.7% |
| Operating Profit | 13,021 | 3,434 | 9,587 | >100% |
| Profit before interest and tax | 13,255 | 4,178 | 9,077 | >100% |
| Profit before tax | 13,252 | 4,175 | 9,077 | >100% |
| Profit after tax | 10,148 | 3,865 | 6,283 | >100% |
| Profit attributable to ordinary equity holders of the parent | 10,148 | 3,865 | 6,283 | >100% |
| Total comprehensive profit for the period | 10,148 | 3,865 | 6,283 | >100% |

14. Variation of results against preceding quarter

Group revenue increased from RM85.3 million to RM87.7 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM13.3 million as compared to the immediate preceding quarter of RM6.9 million primarily due to a decrease in operating expenses.

| | Individual Period 1st quarter | | Changes RM'000 | Changes % |
|---|----------------------------------|-----------------------------------|-------------------|--------------|
| | Current Quarter | Immediate Preceding Quarter | | |
| | 31/03/2021 RM'000 | 31/12/2020 RM'000 | | |
| Revenue | 87,733 | 85,324 | 2,409 | 2.8% |
| Operating profit | 13,021 | 6,119 | 6,902 | >100% |
| Profit before interest and tax | 13,255 | 6,865 | 6,390 | 93.1% |
| Profit before tax | 13,252 | 6,850 | 6,402 | 93.5% |
| Profit after tax | 10,148 | 911 | 9,237 | >100% |
| Profit attributable to ordinary equity holders of the parent | 10,148 | 911 | 9,237 | >100% |
| Total comprehensive profit for the period | 10,148 | 911 | 9,237 | >100% |

15. Current year prospects

The imposition of the Movement Control Order ("MCO") / Conditional Movement Control Order ("CMCO") / Recovery Movement Control Order ("RMCO") will impact business levels and consumption patterns adversely. Domestic consumption, which is highly subsidised, continues to remain high, while trade consumption, which cross-subsidises domestic consumers, has declined.

Notes to the Condensed Consolidated Interim Financial Statements

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 | | |
|--------------------------------|--------------------|---------------|-----------|----------------------------|---------------|-----------|
| | 31 March | | | 31 March | | |
| | 2021 | 2020 | Changes | 2021 | 2020 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Sale of water | 73,516 | 80,438 | -9% | 73,516 | 80,438 | -9% |
| Capital contribution funds | 13,529 | 710 | > 100% | 13,529 | 710 | > 100% |
| Others | 688 | 1,080 | -36% | 688 | 1,080 | -36% |
| | <u>87,733</u> | <u>82,228</u> | <u>7%</u> | <u>87,733</u> | <u>82,228</u> | <u>7%</u> |
| Timing of revenue recognition: | | | | | | |
| - At a point in time | 87,205 | 81,556 | 7% | 87,205 | 81,556 | 7% |
| - Over time | 528 | 672 | -21% | 528 | 672 | -21% |
| | <u>87,733</u> | <u>82,228</u> | <u>7%</u> | <u>87,733</u> | <u>82,228</u> | <u>7%</u> |

18. Income tax expense

| | Three months ended | | Current year to-date ended | |
|---|--------------------|------------|----------------------------|------------|
| | 31 March | | 31 March | |
| | 2021 | 2020 | 2021 | 2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax | | | | |
| Current period | 104 | 310 | 104 | 310 |
| Deferred Tax | | | | |
| Origination and reversal of temporary differences | 3,000 | - | 3,000 | - |
| Income tax expense continuing operations | <u>3,104</u> | <u>310</u> | <u>3,104</u> | <u>310</u> |

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

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:

| | 31 March 2021 RM'000 |
|---|-------------------------|
| Profit before taxation | 13,252 |
| Taxation at Malaysian statutory tax rate of 24% | 3,180 |
| Income not subject to tax | (282) |
| Expenses not deductible for tax purposes | 206 |
| Tax expense for the period | 3,104 |

Notes to the Condensed Consolidated Interim Financial Statements

Unabsorbed reinvestment allowance can be carried forward for seven consecutive years of assessment immediately following that year of assessment pursuant to the gazette of the Finance Act 2018. Based on existing legislation, as at 31 March 2021, it is anticipated that only RM12 million out of the RM740 million (31 March 2020 : RM3 million out of RM602 million) available will be utilised to set-off against future taxable profits.

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 1st term loan agreement and RM24 million from the 2nd term loan agreement.

- ii) In 2020, the subsidiary company fully settled the RM80 million loan from the State Government.

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|---|-------------------------------|----------------------------------|
| Unsecured | | |
| i) Loan from Federal Government via the State Government of Penang | | |
| Nominal value of loans | 36,000 | 38,200 |
| Less: Deemed interest recognised as government grant | (12,696) | (14,025) |
| Add: Amortised interest | 320 | 1,329 |
| Less: Repayment | (600) | (2,200) |
| | 23,024 | 23,304 |
| ii) Loan from the State Government of Penang | | |
| Nominal value of loans | - | 40,000 |
| Less: Deemed interest recognised as government grant | - | (3,126) |
| Add: Amortised interest | - | 430 |
| Realisation upon repayment | - | 2,696 |
| Less: Repayment | - | (40,000) |
| | - | - |
| | 23,024 | 23,304 |
| Analysed as: | | |
| Non-current | 20,824 | 21,104 |
| Current | 2,200 | 2,200 |
| | 23,024 | 23,304 |

Notes to the Condensed Consolidated Interim Financial Statements

21. Deferred income

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|------------------------------------|--|---|
| Government grant | | |
| Balance at beginning | 12,696 | 17,152 |
| Transfer from loans and borrowings | - | (2,696) |
| Less : Amortisation | (320) | (1,760) |
| | <u>12,376</u> | <u>12,696</u> |

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.

22. Contract liabilities

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|---|--|---|
| Capital contribution funds ("CCF") | | |
| Balance at beginning | 28,787 | 30,093 |
| Additions during the period | 3,108 | 32,060 |
| Less : Recognised in revenue | (13,529) | (33,366) |
| | <u>18,366</u> | <u>28,787</u> |
| Transfer of assets from customers | | |
| Balance at beginning | 96,074 | 86,626 |
| Additions during the period | 2,678 | 11,634 |
| Less : Amortisation | (529) | (2,186) |
| | <u>98,223</u> | <u>96,074</u> |
| | <u>116,589</u> | <u>124,861</u> |
| Analysed as: | | |
| Non-current | 96,109 | 93,978 |
| Current | 20,480 | 30,883 |
| | <u>116,589</u> | <u>124,861</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.

Notes to the Condensed Consolidated Interim Financial Statements

23. Deferred liabilities

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|-------------|--|---|
| Non-current | 54,772 | 55,171 |
| Current | 1,595 | 1,595 |
| | <u>56,367</u> | <u>56,766</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.

24. Lease liabilities

| | At 31 March 2021 RM'000 | At 31 December 2020 RM'000 |
|-----------------------------|--|---|
| Lease liabilities | | |
| Balance at beginning | 229,056 | 231,597 |
| Additions during the period | 401 | 871 |
| Accretion of interest | 3,250 | 13,194 |
| Payments | (4,135) | (16,606) |
| | <u>228,572</u> | <u>229,056</u> |
| | | |
| Analysed as: | | |
| Non-current | 225,070 | 225,554 |
| Current | 3,502 | 3,502 |
| | <u>228,572</u> | <u>229,056</u> |

25. Material litigation

As at 28 May 2021, there was no material litigation against the Group.

26. Dividends

The Board of Directors recommend a single tier final dividend of 1.00 sen per share amounting to RM3,310,000 for the financial year ended 31 December 2020 subject to the approval of shareholders at the forthcoming Annual General Meeting (31 December 2019 – 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

| | Three months ended 31 March 2021 Continuing operations RM'000 | Three months ended 31 March 2020 Continuing operations RM'000 | Current year to-date 31 March 2021 Continuing operations RM'000 | Current year to-date 31 March 2020 Continuing operations RM'000 |
|--|--|--|--|--|
| Profit for the period | 10,148 | 3,865 | 10,148 | 3,865 |
| | Three months ended 31 March 2021 '000 Shares | Three months ended 31 March 2020 '000 Shares | Current year to-date 31 March 2021 '000 Shares | Current year to-date 31 March 2020 '000 Shares |
| Issued ordinary shares at 1 January | 331,271 | 331,271 | 331,271 | 331,271 |
| Effect of share buyback | (273) | (273) | (273) | (273) |
| Weighted average number of ordinary shares | 330,998 | 330,998 | 330,998 | 330,998 |
| | Three months ended 31 March 2021 Continuing operations Sen | Three months ended 31 March 2020 Continuing operations Sen | Current year to-date 31 March 2021 Continuing operations Sen | Current year to-date 31 March 2020 Continuing operations Sen |
| Earnings per share | 3.07 | 1.17 | 3.07 | 1.17 |

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 2020 was not qualified.

29. Notes to the Condensed Statement of Comprehensive Income

| | Three months ended 31 March 2021 RM'000 | Year to-date 31 March 2021 RM'000 |
|--|--|--|
| a) Other Operating Income | (2,990) | (2,990) |
| b) Interest Income | (234) | (234) |
| c) Interest expense | 3 | 3 |
| d) Interest expense on lease liabilities | 3,250 | 3,250 |
| e) Depreciation of property, plant and equipment | 15,819 | 15,819 |
| f) Depreciation of right-of-use assets | 1,682 | 1,682 |
| g) Expected credit loss on trade and other receivables | 989 | 989 |