

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

30 June 2023

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 30 June 2023 - unaudited

	Note	30 June 2023 RM'000	31 December 2022 RM'000
Assets			
Property, plant and equipment	5	1,068,072	1,064,984
Right-of-use assets		147,681	149,551
Total non-current assets		1,215,753	1,214,535
Inventories		8,287	9,751
Trade and other receivables	6	55,736	59,987
Current tax assets		3,600	526
Cash and cash equivalents		198,233	188,985
Total current assets		265,856	259,249
Total assets		1,481,609	1,473,784
Equity			
Share capital		327,579	327,579
Reserves		594,272	584,592
Total equity	7	921,851	912,171
Loans and borrowings	20	19,206	20,395
Deferred income	21	9,594	10,183
Lease liabilities	23	217,537	219,116
Deferred tax liabilities		113,000	99,000
Total non-current liabilities		359,337	348,694
Trade and other payables		158,717	183,553
Loans and borrowings	20	2,200	1,022
Contract liabilities	22	35,347	24,540
Lease liabilities	23	4,157	3,780
Current tax liabilities		-	24
Total current liabilities		200,421	212,919
Total liabilities		559,758	561,613
Total equity and liabilities		1,481,609	1,473,784

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2023 - unaudited

		Three months ended 30 June		Current year-to-date ended 30 June	
	Note	2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
Continuing operations					
Revenue	17	104,444	92,934	201,838	172,351
Cost of sales		<u>(70,360)</u>	<u>(59,737)</u>	<u>(134,600)</u>	<u>(114,238)</u>
Gross profit		<u>34,084</u>	<u>33,197</u>	<u>67,238</u>	<u>58,113</u>
Other operating income		2,992	4,139	7,250	18,208
Administrative expenses		<u>(25,904)</u>	<u>(24,947)</u>	<u>(49,999)</u>	<u>(47,614)</u>
Operating profit		<u>11,172</u>	<u>12,389</u>	<u>24,489</u>	<u>28,707</u>
Interest income		<u>375</u>	<u>238</u>	<u>702</u>	<u>451</u>
Profit before tax		<u>11,547</u>	<u>12,627</u>	<u>25,191</u>	<u>29,158</u>
Tax expense	18	<u>(14,835)</u>	<u>(188)</u>	<u>(15,511)</u>	<u>(1,862)</u>
Net (loss)/profit, representing total comprehensive income for the period		<u>(3,288)</u>	<u>12,439</u>	<u>9,680</u>	<u>27,296</u>
Earnings per share (sen) :	26	<u>(0.99)</u>	<u>3.76</u>	<u>2.92</u>	<u>8.25</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023 - unaudited

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2022 (restated)	327,579	(236)	515,988	843,331
Total comprehensive income for the period, as restated	-	-	27,296	27,296
At 30 June 2022 (restated)	<u>327,579</u>	<u>(236)</u>	<u>543,284</u>	<u>870,627</u>
At 1 January 2023	327,579	(237)	584,829	912,171
Total comprehensive income for the period	-	-	9,680	9,680
At 30 June 2023	<u>327,579</u>	<u>(237)</u>	<u>594,509</u>	<u>921,851</u>

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2023 - unaudited

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
		Restated
Cash flows from operating activities		
Profit before tax	25,191	29,158
Adjustments for :		
Finance Cost	6,936	7,049
Revenue recognised for assets transferred from customers	(2,913)	(4,371)
Amortisation of deferred income	(589)	(616)
Distribution income from investment in short term funds	(1,496)	(345)
Gain on disposal of property, plant and equipment	(67)	(10,034)
Interest income	(702)	(451)
Property, plant and equipment:		
- Depreciation	31,203	30,585
- Written off	205	96
Depreciation of right-of-use assets	2,709	2,709
Operating profit before working capital changes	60,477	53,780
Inventories	1,463	(1,222)
Receivables	4,269	(19,733)
Payables	(19,890)	12,565
Contract liabilities	10,807	95
Cash generated from operations	57,126	45,485
Income tax paid	(4,344)	(1,514)
Income tax refunded	-	494
Net cash from operating activities	52,782	44,465
Cash flows from investing activities		
Interest received	702	451
Distribution income received	1,231	345
Proceeds from disposal of PPE	67	10,044
Purchase of PPE	(31,585)	(13,740)
Net cash used in investing activities	(29,585)	(2,900)
Cash flow from financing activities		
Dividends paid	(4,963)	(4,137)
Payment of lease liabilities	(8,386)	(8,384)
Repayment of government loans	(600)	(600)
Net cash used in financing activities	(13,949)	(13,121)
Net increase in cash and cash equivalents	9,248	28,444
Cash and cash equivalents at beginning of financial period	188,985	141,243
Cash and cash equivalents at end of financial period	198,233	169,687

Cash and cash equivalents

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

	Six months ended 30 June	
	2023	2022
	RM'000	RM'000
Cash and bank balances	47,499	62,067
Short-term deposits with licensed banks	150,734	107,620
	198,233	169,687

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 2023 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 2022 are available upon request from the Company's registered office at:

Level 32, Komtar
10000 Penang

These Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 24 August 2023.

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.

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 2022, except for the adoption of the following new standards:

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts - Initial application of MFRS 17 and MFRS 9 - Comparative Information

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

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 January 2024

Amendment to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
Amendment to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants and 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 2022.

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 2023, the Group acquired assets with a cost of RM31.59 million (30 June 2022: RM13.74 million).

Other assets with a carrying amount of RM0.20 million were written off during the period ended 30 June 2023 (30 June 2022: RM0.09 million).

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	30 June 2023 RM'000	30 June 2022 RM'000	30 June 2023 RM'000	30 June 2022 RM'000
Charge for the period				
- Property, plant and equipment	15,605	15,284	31,203	30,585
- Right-of-use assets	1,355	1,354	2,709	2,709
	<u>16,960</u>	<u>16,638</u>	<u>33,912</u>	<u>33,294</u>

Notes to the Condensed Consolidated Interim Financial Statements

c) Capital commitments

	At 30 June 2023 RM'000	At 31 December 2022 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	292,000	70,000
ii) Authorised but not contracted for	281,000	263,000

d) Transfer of assets from customers

During the period ended 30 June 2023, assets transferred from customers amounted to RM2.91 million (30 June 2022: RM4.37 million)

6. Trade and other receivables

	At 30 June 2023 RM'000	At 31 December 2022 RM'000
Trade		
Trade receivables	52,633	55,275
Less: Allowance for expected credit lossess	(11,752)	(10,107)
	<u>40,881</u>	<u>45,168</u>
Non-trade		
Other receivables	8,883	9,322
Less: Allowance for expected credit lossess	(3,099)	(3,096)
	5,784	6,226
Deposits	7,604	7,335
Prepayments	1,467	1,258
	<u>14,855</u>	<u>14,819</u>
	<u>55,736</u>	<u>59,987</u>

7. Total equity

No additional issuance of share capital as at 30 June 2023.

Treasury shares

During the period ended 30 June 2023, there was no repurchase of issued ordinary shares from the open market (30 June 2022 : 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 to-date ended 30 June 2023.

Notes to the Condensed Consolidated Interim Financial Statements

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. Subsequent event

There are no material events subsequent to the statement of financial position up to the date of the issuance of this report.

11. Contingencies

There are no contingencies for the period under review.

12. Related parties

There are no significant transactions with and changes in Government related entities and key management personnel compensation for the year 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 2023 increased by RM11.51 million or 12.4% as compared to the corresponding quarter in 2022. The Group registered a profit before tax of RM11.55 million as compared to the preceding year's corresponding quarter of RM12.63 million. This is mainly due to the increase in ICPT surcharge rate by Tenaga Nasional with effect from 1 January 2023.

Financial review for current quarter and financial year to date

	Individual Period 2nd quarter		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	30/6/2023	30/6/2022		
	RM'000	RM'000		
Revenue	104,444	92,934	11,510	12.4%
Operating Profit	11,172	12,389	(1,217)	-9.8%
Profit before tax	11,547	12,627	(1,080)	-8.6%
(Loss)/profit after tax	(3,288)	12,439	(15,727)	>100%
(Loss)/Profit attributable to ordinary equity holders of the parent	(3,288)	12,439	(15,727)	>100%
Total comprehensive (loss)/profit for the period	(3,288)	12,439	(15,727)	>100%

14. Variation of results against preceding quarter

Group revenue increased from RM97.39 million to RM104.44 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM11.55 million as compared to the immediate preceding quarter of RM13.64 million, primarily due to the increase in energy expense resulting from the increase in production volume.

	Individual Period 2nd quarter		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	30/6/2023	31/3/2023		
	RM'000	RM'000		
Revenue	104,444	97,394	7,050	7.2%
Operating Profit	11,172	13,317	(2,145)	-16.1%
Profit before tax	11,547	13,644	(2,097)	-15.4%
(Loss)/profit after tax	(3,288)	12,968	(16,256)	>100%
(Loss)/profit attributable to ordinary equity holders of the parent	(3,288)	12,968	(16,256)	>100%
Total comprehensive (loss)/profit for the period	(3,288)	12,968	(16,256)	>100%

15. Current year prospects

Revenue from sales of water is expected to increase further in line with the new tariff implementation on 1 January 2023.

Notes to the Condensed Consolidated Interim Financial Statements

16. Profit forecast or profit guarantee

Not applicable.

17. Revenue

Timing of revenue recognition at point in time are as follows :

	Three months ended			Current year to-date ended		
	30 June			30 June		
	2023	2022	Changes	2023	2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
	<u>Restated</u>			<u>Restated</u>		
Sale of water	97,224	80,451	21%	189,486	155,997	21%
Capital contribution funds	5,629	10,315	-45%	8,718	13,027	-33%
Others	1,591	2,168	-27%	3,634	3,327	9%
	<u>104,444</u>	<u>92,934</u>	<u>12%</u>	<u>201,838</u>	<u>172,351</u>	<u>17%</u>

18. Income tax expense

	Three months ended		Current year to-date ended	
	30 June		30 June	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	835	188	1,511	363
Real property gains tax	-	-	-	999
	<u>835</u>	<u>188</u>	<u>1,511</u>	<u>1,362</u>
Deferred Tax				
Origination and reversal of temporary differences	14,000	-	14,000	500
	<u>14,000</u>	<u>-</u>	<u>14,000</u>	<u>500</u>
Tax expense	<u>14,835</u>	<u>188</u>	<u>15,511</u>	<u>1,862</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 period to-date is as follows:

Notes to the Condensed Consolidated Interim Financial Statements

	30 June 2023 RM'000
Profit before taxation	25,192
Taxation at Malaysian statutory tax rate of 24%	(6,046)
Income not subject to tax	1,044
Expenses not deductible for tax purposes	(943)
Effect of deferred tax assets not recognised	(9,566)
Tax expense for the period	(15,511)

With effect from YA 2019, any unutilised Reinvestment Allowance (RA) can only be carried forward for a maximum period of 7 consecutive YAs after the expiry of the qualifying period of RA. The unutilised RA for YA 2018 and prior YAs arising from a qualifying period which has expired as at YA 2018 can be carried forward until YA 2025. In addition, the unutilised RA arising during the special RA period is allowed to be carried forward for 7 consecutive YAs from YA 2025 until YA 2031.

Based on existing legislation, as at 30 June 2023, it is anticipated that RM242 million out of the RM697 million (30 June 2022 : RM104 million out of RM696 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.

Notes to the Condensed Consolidated Interim Financial Statements

	At 30 June 2023 RM'000	At 31 December 2022 RM'000
Unsecured		
Loan from Federal Government via the State Government of Penang		
Nominal value of loans	31,600	33,800
Less: Deemed interest recognised as government grant	(10,183)	(11,414)
Add: Amortised interest	589	1,231
Less: Repayment	(600)	(2,200)
	<u>21,406</u>	<u>21,417</u>
Analysed as:		
Non-current	19,206	20,395
Current	2,200	1,022
	<u>21,406</u>	<u>21,417</u>

21. Deferred income

	At 30 June 2023 RM'000	At 31 December 2022 RM'000
Government grant		
Balance at beginning	10,183	11,414
Less : Amortisation	(589)	(1,231)
	<u>9,594</u>	<u>10,183</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 30 June 2023 RM'000	At 31 December 2022 RM'000
Capital contribution funds ("CCF")		
Balance at beginning	24,540	19,250
Additions during the period	19,525	29,067
Less : Recognised in revenue	(8,718)	(23,777)
	<u>35,347</u>	<u>24,540</u>

The contract liabilities from Capital Contribution Funds (CCF) is where Developers/owners requesting to be connected to the public mains may be charged CCF by the Group. CCF received is recognised as revenue in the income statement when the connection to the public mains takes place.

Notes to the Condensed Consolidated Interim Financial Statements

23. Lease liabilities

	At 30 June 2023 RM'000	At 31 December 2022 RM'000
Lease liabilities		
Balance at beginning	222,896	225,802
Additions during the period	837	996
Accretion of interest	6,347	12,866
Payments	(8,386)	(16,768)
	<u>221,694</u>	<u>222,896</u>
Analysed as:		
Non-current	217,537	219,116
Current	4,157	3,780
	<u>221,694</u>	<u>222,896</u>

24. Material litigation

As at 24 August 2023, there was no material litigation against the Group.

25. Dividends

The Board of Directors recommended a single tier final dividend of 1.50 sen per share amounting to RM4,965,000 for the financial year ended 31 December 2022. The single tier final dividend was approved by the shareholders at the Annual General Meeting held on 27 June 2023 and payment was made on 28 July 2023 (31 December 2021 – single tier final dividend of 1.00 sen per share amounting to RM3,310,000).

Notes to the Condensed Consolidated Interim Financial Statements

26. Earnings per ordinary share

	Three months ended 30 June 2023 Continuing operations RM'000	Three months ended 30 June 2022 Continuing operations RM'000	Current year to-date 30 June 2023 Continuing operations RM'000	Current year to-date 30 June 2022 Continuing operations RM'000
(Loss)/profit for the period	<u>(3,288)</u>	<u>12,439</u>	<u>9,680</u>	<u>27,296</u>
	Three months ended 30 June 2023 '000 Shares	Three months ended 30 June 2022 '000 Shares	Current year to-date 30 June 2023 '000 Shares	Current year to-date 30 June 2022 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	<u>(274)</u>	<u>(273)</u>	<u>(274)</u>	<u>(273)</u>
Weighted average number of ordinary shares	<u>330,997</u>	<u>330,998</u>	<u>330,997</u>	<u>330,998</u>
	Three months ended 30 June 2023 Sen	Three months ended 30 June 2022 Sen	Current year to-date 30 June 2023 Sen	Current year to-date 30 June 2022 Sen
Earnings per share	<u>(0.99)</u>	<u>3.76</u>	<u>2.92</u>	<u>8.25</u>

Notes to the Condensed Consolidated Interim Financial Statements

27. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2022 was not qualified.

28. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 June 2023 RM'000	Year to-date 30 June 2023 RM'000
a) Other Operating Income	(2,992)	(7,250)
b) Interest Income	(375)	(702)
c) Interest expense on lease liabilities	3,470	6,936
d) Depreciation of property, plant and equipment	15,605	31,203
e) Depreciation of right-of-use assets	1,355	2,709