

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

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

Interim Financial Report

30 June 2024

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Condensed Consolidated Statement of Financial Position
As at 30 June 2024 - unaudited

	Note	30 June 2024 RM'000	31 December 2023 RM'000
Assets			
Property, plant and equipment	5	1,116,817	1,124,168
Right-of-use assets		142,530	145,225
Other receivables	6	69,817	68,234
Total non-current assets		<u>1,329,164</u>	<u>1,337,627</u>
Inventories		8,736	8,843
Trade and other receivables	6	82,216	69,411
Current tax assets		363	876
Cash and cash equivalents		259,001	237,844
Total current assets		<u>350,316</u>	<u>316,974</u>
Total assets		<u>1,679,480</u>	<u>1,654,601</u>
Equity			
Share capital		327,579	327,579
Reserves		677,754	608,181
Total equity	7	<u>1,005,333</u>	<u>935,760</u>
Loans and borrowings	20	18,155	19,317
Deferred income	21	75,644	77,239
Lease liabilities	23	214,427	215,500
Deferred tax liabilities		127,400	128,700
Total non-current liabilities		<u>435,626</u>	<u>440,756</u>
Trade and other payables		190,069	231,916
Loans and borrowings	20	2,200	1,078
Contract liabilities	22	39,638	40,667
Lease liabilities	23	3,337	4,414
Current tax liabilities		3,277	10
Total current liabilities		<u>238,521</u>	<u>278,085</u>
Total liabilities		<u>674,147</u>	<u>718,841</u>
Total equity and liabilities		<u>1,679,480</u>	<u>1,654,601</u>
Net Asset per share (RM)		<u>3.04</u>	<u>2.83</u>

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2024 - unaudited

	Note	Three months ended 30 June		Current year-to-date ended 30 June	
		2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Continuing operations					
Revenue	17	150,328	104,444	261,501	201,838
Cost of sales		(68,692)	(70,360)	(138,414)	(134,600)
Gross profit		<u>81,636</u>	<u>34,084</u>	<u>123,087</u>	<u>67,238</u>
Other operating income		5,713	2,992	10,739	7,250
Administrative expenses		(29,544)	(25,904)	(60,106)	(49,999)
Operating profit		<u>57,805</u>	<u>11,172</u>	<u>73,720</u>	<u>24,489</u>
Interest income		565	375	1,050	702
Profit before tax		<u>58,370</u>	<u>11,547</u>	<u>74,770</u>	<u>25,191</u>
Tax expense	18	(3,147)	(14,835)	(5,197)	(15,511)
Net profit/(loss), representing total comprehensive income for the period		<u>55,223</u>	<u>(3,288)</u>	<u>69,573</u>	<u>9,680</u>
Earnings per share (sen) :	26	<u>16.68</u>	<u>(0.99)</u>	<u>21.02</u>	<u>2.92</u>

**Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2024 - unaudited**

	Share Capital RM'000	Treasury Shares RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
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>
At 1 January 2024	327,579	(238)	608,419	935,760
Total comprehensive income for the period	-	-	69,573	69,573
At 30 June 2024	<u>327,579</u>	<u>(238)</u>	<u>677,992</u>	<u>1,005,333</u>

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2024 - unaudited

	Six months ended 30 June	
	2024 RM'000	2023 RM'000
Cash flows from operating activities		
Profit before tax	74,770	25,191
Adjustments for :		
Finance Cost	6,805	6,936
Revenue recognised for assets transferred from customers	(7,461)	(2,913)
Amortisation of deferred income	(3,178)	(589)
Distribution income from investment in short term funds	(2,248)	(1,496)
Gain on disposal of property, plant and equipment	(254)	(67)
Interest income	(1,050)	(702)
Property, plant and equipment:		
- Depreciation	33,399	31,203
- Written off	65	205
Depreciation of right-of-use assets	2,695	2,709
Property, plant and equipment expensed off	388	-
Impairment loss on property, plant and equipment	1,456	-
Operating profit before working capital changes	<u>105,387</u>	<u>60,477</u>
Inventories	106	1,463
Receivables	(13,574)	4,269
Payables	(35,286)	(19,890)
Contract liabilities	(1,029)	10,807
Cash generated from operations	<u>55,604</u>	<u>57,126</u>
Income tax paid	(2,435)	(4,344)
Net cash from operating activities	<u>53,169</u>	<u>52,782</u>
Cash flows from investing activities		
Interest received	1,050	702
Distribution income received	1,967	1,231
Proceeds from disposal of PPE	254	67
Purchase of PPE	(20,496)	(31,585)
Net cash used in investing activities	<u>(17,225)</u>	<u>(29,585)</u>
Cash flow from financing activities		
Dividends paid	(5,792)	(4,963)
Payment of lease liabilities	(8,395)	(8,386)
Repayment of government loans	(600)	(600)
Net cash used in financing activities	<u>(14,787)</u>	<u>(13,949)</u>
Net increase in cash and cash equivalents	21,157	9,248
Cash and cash equivalents at beginning of financial period	237,844	188,985
Cash and cash equivalents at end of financial period	<u>259,001</u>	<u>198,233</u>

Cash and cash equivalents

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

	Six months ended 30 June	
	2024 RM'000	2023 RM'000
Cash and bank balances	89,436	47,499
Short-term deposits with licensed banks	169,565	150,734
	<u>259,001</u>	<u>198,233</u>

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 2024 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 2023 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 26 August 2024.

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. Changes in 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 2023, except for the adoption of the following new standards:

Effective for financial periods beginning on or after 1 January 2024

Amendments to MFRS 16 Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

The initial application of the above standards did not 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.

Effective for financial periods beginning on or after 1 January 2025

Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

Effective for financial periods beginning on or after 1 January 2026

Amendments to MFRS 9, Financial Instruments and MFRS 7, Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments

Notes to the Condensed Consolidated Interim Financial Statements

Effective for financial periods beginning on or after 1 January 2027

MFRS 18, Presentation and Disclosure in Financial Statements
MFRS 19, Subsidiaries without Public Accountability: Disclosures

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

The initial application of the above amendment is not expected to have any significant impact.

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 2023.

4. Seasonality of operations

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

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 30 June 2024, the Group acquired assets with a cost of RM20.50 million (30 June 2023: RM31.59 million).

Other assets with a carrying amount of RM0.07 million were written off during the period ended 30 June 2024 (30 June 2023: RM0.20 million).

b) Depreciation and amortisation

	Three months ended		Current year to-date ended	
	At 30 June 2024 RM'000	At 30 June 2023 RM'000	At 30 June 2024 RM'000	At 30 June 2023 RM'000
Charge for the period				
- Property, plant and equipment	16,829	15,605	33,399	31,203
- Right-of-use assets	1,347	1,355	2,695	2,709
	<u>18,176</u>	<u>16,960</u>	<u>36,094</u>	<u>33,912</u>

Notes to the Condensed Consolidated Interim Financial Statements

c) Capital commitments

	At 30 June 2024 RM'000	At 31 December 2023 RM'000
Approved Capital Expenditure:-		
i) Contracted but not provided for	114,000	109,000
ii) Authorised but not contracted for	801,000	389,000

d) Transfer of assets from customers

During the period ended 30 June 2024, assets transferred from customers amounted to RM7.46 million (30 June 2023: RM2.91 million)

6. Trade and other receivables

	Note	At 30 June 2024 RM'000	At 31 December 2023 RM'000
Non-current			
Non-trade			
Other receivables	6.1	69,817	68,234
Current			
Trade			
Trade receivables		76,559	64,465
Less: Allowance for expected credit losses		(11,165)	(9,892)
		65,394	54,573
Non-trade			
Other receivables		8,128	10,095
Less: Allowance for expected credit losses		(2,984)	(3,121)
		5,144	6,974
Deposits		9,283	6,976
Prepayments		2,395	888
		16,822	14,838
		82,216	69,411
Total trade and other receivables		152,033	137,645

6.1 Non-current other receivables

This represents the amount due from the State Government of Penang of RM88.76 million, discounted using a rate of 4.642% per annum and carried at amortised cost. The said amount of RM88.76 million is receivable by eight equal instalments of RM10 million per year, followed by one final instalment of RM8.76 million commencing from 2025.

Notes to the Condensed Consolidated Interim Financial Statements

7. Total equity

No additional issuance of share capital as at 30 June 2024.

Treasury shares

During the period ended 30 June 2024, there was no repurchase of issued ordinary shares from the open market (30 June 2023 : 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 2024.

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, except for the rebate on the first 10,000 m³ of water consumption of RM6.20 per bill for 3 bi-monthly bills for domestic consumers for the 6 months from July to December 2024. This is after the domestic tariff increase in February 2024. The total rebate for each domestic water consumer will be RM18.60 in the specified 6-month period.

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 6 Trade and other receivables and 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 2024 increased by RM45.88 million or 43.9% as compared to the corresponding quarter in 2023. The Group registered a profit before tax of RM58.37 million as compared to the preceding year's corresponding quarter of RM11.55 million. This is mainly due to the increased of water tariffs for domestic and other categories from 1 February 2024.

	Individual Period		Changes RM'000	Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		
	30/6/2024 RM'000	30/6/2023 RM'000		
Revenue	150,328	104,444	45,884	43.9%
Operating Profit	57,805	11,172	46,632	>100%
Profit before tax	58,370	11,547	46,822	>100%
Profit/(loss) after tax	55,223	(3,288)	58,510	>-100%
Profit/(loss) attributable to ordinary equity holders of the parent	55,223	(3,288)	58,510	>-100%
Total comprehensive profit/(loss) for the period	55,223	(3,288)	58,510	>-100%

14. Variation of results against preceding quarter

Group revenue increased from RM111.17 million to RM150.33 million as compared to the immediate preceding quarter. The Group registered a profit before tax of RM58.37 million as compared to the immediate preceding quarter of RM16.40 million, primarily due to the increase of water tariffs for domestic and other categories from 1 February 2024 .

	Individual Period		Changes RM'000	Changes %
	Current Quarter	Immediate Preceding Quarter		
	30/6/2024 RM'000	31/3/2024 RM'000		
Revenue	150,328	111,173	39,155	35.2%
Operating Profit	57,805	15,915	41,889	>100%
Profit before tax	58,370	16,400	41,969	>100%
Profit after tax	55,223	14,350	40,872	>100%
Profit attributable to ordinary equity holders of the parent	55,223	14,350	40,872	>100%
Total comprehensive profit for the period	55,223	14,350	40,872	>100%

15. Current year prospects

Revenue from sales of water is expected to further increase in line with the new water tariff implementation with effect from 1 February 2024 for domestic consumers.

16. Profit forecast or profit guarantee

Not applicable.

Notes to the Condensed Consolidated Interim Financial Statements

17. Revenue

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

	Three months ended 30 June			Current year to-date ended 30 June		
	2024	2023	Changes	2024	2023	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Sale of water	136,586	97,224	40%	230,348	189,486	22%
Capital contribution funds	9,432	5,629	68%	23,030	8,718	>100%
Others	4,310	1,591	>100%	8,123	3,634	>100%
	150,328	104,444	44%	261,501	201,838	30%

18. Income tax expense

	Three months ended 30 June		Current year to-date ended 30 June	
	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000
Malaysia income tax				
Current year	4,447	835	6,497	1,511
	4,447	835	6,497	1,511
Deferred Tax				
Origination and reversal of temporary differences	(1,300)	14,000	(1,300)	14,000
	(1,300)	14,000	(1,300)	14,000
Tax expense	3,147	14,835	5,197	15,511

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.

The Group's effective tax rate for the current period was lower than the statutory tax rate, principally due to the recognition of deferred tax assets for its main subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. as there is available future taxable profit arising from the increase in water tariffs for domestic and other categories.

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:

	30 June 2024 RM'000
Profit before taxation	74,770
Taxation at Malaysian statutory tax rate of 24%	(17,945)
Income not subject to tax	2,813
Expenses not deductible for tax purposes	(857)
Current period reinvestment allowance	664
Effect of deferred tax assets recognised	10,128
Tax expense for the period	5,197

Notes to the Condensed Consolidated Interim Financial Statements

With effect from Year Assessment (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 2024, it is anticipated that RM158 million out of the RM643 million (31 December 2023 : RM170 million out of RM681 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 period 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 :
- RM20 million : repayable over 20 years period with effect from 11 September 2016
 - 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.

	At 30 June 2024 RM'000	At 31 December 2023 RM'000
Unsecured		
Loan from Federal Government via the State Government of Penang		
Nominal value of loans	29,400	31,600
Less: Deemed interest recognised as government grant	(9,005)	(10,183)
Add: Amortised interest	560	1,178
Less: Repayment	(600)	(2,200)
	20,355	20,395
Analysed as:		
Non-current	18,155	19,317
Current	2,200	1,078
	20,355	20,395

Notes to the Condensed Consolidated Interim Financial Statements

21. Deferred income

	At 30 June 2024 RM'000	At 31 December 2023 RM'000
Deferred grant		
At 1 January	9,005	10,183
Less : Amortisation	(560)	(1,178)
	<u>8,445</u>	<u>9,005</u>
Due from the State Government of Penang		
At 1 January	68,234	-
Additions	-	68,234
Less : Amortisation	(1,035)	-
	<u>67,199</u>	<u>68,234</u>
Total	<u>75,644</u>	<u>77,239</u>

Deferred grant represents the difference between the nominal value of the interest-free loans obtained as disclosed in Note 20 (Loans and borrowings) and the fair value of the loans measured on initial recognition. The deferred grant is realised over the period from the initial loan drawdown date up to the maturity date of the loans.

The amount due from the State Government of Penang is amortised over the remaining 33 years lease term for the water assets leased from Pengurusan Aset Air Berhad (PAAB).

22. Contract liabilities

	At 30 June 2024 RM'000	At 31 December 2023 RM'000
Capital contribution funds ("CCF")		
Balance at beginning	40,667	24,539
Additions during the period	21,479	45,161
Less : Recognised in revenue	(22,508)	(29,033)
	<u>39,638</u>	<u>40,667</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 2024 RM'000	At 31 December 2023 RM'000
Lease liabilities		
At 1 January	219,914	222,896
Additions during the period	-	1,116
Accretion of interest	6,245	12,703
Payments	(8,395)	(16,801)
	<u>217,764</u>	<u>219,914</u>
Analysed as:		
Non-current	214,427	215,500
Current	3,337	4,414
	<u>217,764</u>	<u>219,914</u>

24. Material litigation

As at 26 August 2024, there was no material litigation against the Group.

25. Dividends

The Board of Directors recommended a single tier final dividend of of 1.75 sen per share amounting to RM5,792,000 for the financial year ended 31 December 2023. The single tier final dividend was approved by the shareholders at the Annual Grand Meeting held on 27 June 2024 and payment was made on 26 July 2024 (31 December 2022 - single tier final dividend of 1.50 sen per share amounting to RM4,965,000).

Notes to the Condensed Consolidated Interim Financial Statements

26. Earnings per ordinary share

	Three months ended 30 June 2024 Continuing operations RM'000	Three months ended 30 June 2023 Continuing operations RM'000	Current year to-date 30 June 2024 Continuing operations RM'000	Current year to-date 30 June 2023 Continuing operations RM'000
Profit/(loss) for the period	55,223	(3,288)	69,573	9,680
	Three months ended 30 June 2024 '000 Shares	Three months ended 30 June 2023 '000 Shares	Current year to-date 30 June 2024 '000 Shares	Current year to-date 30 June 2023 '000 Shares
Issued ordinary shares at 1 January	331,271	331,271	331,271	331,271
Effect of share buyback	(275)	(274)	(275)	(274)
Weighted average number of ordinary shares	330,996	330,997	330,996	330,997
	Three months ended 30 June 2024 Sen	Three months ended 30 June 2023 Sen	Current year to-date 30 June 2024 Sen	Current year to-date 30 June 2023 Sen
Earnings per share	16.68	(0.99)	21.02	2.92

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 2023 was not qualified.

28. Notes to the Condensed Statement of Comprehensive Income

	Three months ended 30 June 2024 RM'000	Year to-date 30 June 2024 RM'000
a) Other Operating Income	5,713	10,739
b) Interest Income	565	1,050
c) Interest expense on lease liabilities	3,122	6,245
d) Depreciation of property, plant and equipment	16,829	33,399
e) Depreciation of right-of-use assets	1,347	2,695