

Financial Results (v11)

Reference No. FRA-16112015-00001

RELEASED
 Created by SECURITIES SERVICES (HOLDINGS) SDN BHD (PENANG) -
 COMMON on 16 Nov 2015 at 8:44:27 AM
 Submitted by SECURITIES SERVICES (HOLDINGS) SDN BHD (PENANG) on
 27 Nov 2015 at 5:33:57 PM

| COMPANY INFORMATION SECTION | | | |
|-----------------------------|--|--|--|
| Announcement Type | <input checked="" type="radio"/> New Announcement <input type="radio"/> Amended Announcement | | |
| Company Name | PBA HOLDINGS BHD | | |
| Stock Name | PBA | | |
| Stock Code | 5041 | | |
| Board | Main Market | | |
| Submitting Secretarial Firm | SECURITIES SERVICES (HOLDINGS) SDN BHD (PENANG) | | |

| CONTACT DETAIL | | | |
|---|---------------------|-----------------|---------------------------|
| Contact Person | Designation | Contact No | Email Address |
| SECURITIES SERVICES (HOLDINGS) SDN BHD (PENANG) | | 012-4188548 | Amanda.S.Thum@sshb.com.my |
| OOI WEE CHEN | Assistant Secretary | 604-2631966-108 | wc.ooi@sshb.com.my |

| MAIN | | | | | | | |
|---|---|---------|-----------|------|---|-------------------|---------|
| General Information | | | | | | | |
| Financial Year End | 31 Dec 2015 | | | | | | |
| Quarter | 3 Qtr | | | | | | |
| Quarterly report for the financial period ended | 30 Sep 2015 | | | | | | |
| The figures | have not been audited | | | | | | |
| Remarks | | | | | | | |
| Please attach the full Quarterly Report here | <table border="1"> <thead> <tr> <th>No</th> <th>File Name</th> <th>Size</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>PBAHB_Q3 2015.pdf</td> <td>141.5KB</td> </tr> </tbody> </table> | No | File Name | Size | 1 | PBAHB_Q3 2015.pdf | 141.5KB |
| No | File Name | Size | | | | | |
| 1 | PBAHB_Q3 2015.pdf | 141.5KB | | | | | |

DEFAULT CURRENCY

| Currency | Malaysian Ringgit (MYR) | | | |
|--|------------------------------|--------------------------------------|------------------------------------|-------------------------------------|
| Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION | | | | |
| Summary of the Key Financial Information for the financial period ended | 30 Sep 2015 | | | |
| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | 30 Sep 2015 | 30 Sep 2014 | 30 Sep 2015 | 30 Sep 2014 |
| | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 |
| 1. Revenue | 82,377 | 65,195 | 221,981 | 197,807 |
| 2. Profit/(loss) before Tax | 16,131 | 8,847 | 32,615 | 25,527 |
| 3. Profit/(loss) for the period | 13,122 | 8,537 | 29,289 | 24,915 |
| 4. Profit/(loss) attributable to ordinary equity holders of the parent | 13,122 | 8,537 | 29,289 | 24,915 |
| 5. Basic earnings/(loss) per share (Subunit) | 3.96 | 2.58 | 8.85 | 7.53 |
| 6. Proposed/Declared dividend per share (Subunit) | 1.75 | 1.75 | 1.75 | 1.75 |
| | AS AT END OF CURRENT QUARTER | | AS AT PRECEDING FINANCIAL YEAR END | |
| 7. Net assets per share attributable to ordinary equity holders of the parent (\$\$) | 2.2700 | | 2.2000 | |
| Remarks | | | | |

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:

| Country | Base unit | Subunit |
|----------------|-----------|---------|
| Malaysia | Ringgit | Sen |
| United States | Dollar | Cent |
| United Kingdom | Pound | Pence |

Part A3 : ADDITIONAL INFORMATION (This information is for Exchange's Internal Use only)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---------------------------|---|---|---|---|
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | 30 Sep 2015 [dd/mm/yyyy] \$\$'000 | 30 Sep 2014 [dd/mm/yyyy] \$\$'000 | 30 Sep 2015 [dd/mm/yyyy] \$\$'000 | 30 Sep 2014 [dd/mm/yyyy] \$\$'000 |
| 1. Gross interest income | 82 | 347 | 548 | 837 |
| 2. Gross interest expense | 4 | 1 | 13 | 15 |
| Remarks | | | | |

OTHER CURRENCY

| Other Currency | | | | |
|--|------------------------------|--------------------------------------|------------------------------------|-------------------------------------|
| Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION | | | | |
| Summary of the Key Financial Information for the financial period ended | 30 Sep 2015 | | | |
| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
| | CURRENT YEAR QUARTER | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPONDING PERIOD |
| | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 | [dd/mm/yyyy] \$\$'000 |
| 1. Revenue | | | | |
| 2. Profit/(loss) before Tax | | | | |
| 3. Profit/(loss) for the period | | | | |
| 4. Profit/(loss) attributable to ordinary equity holders of the parent | | | | |
| 5. Basic earnings/(loss) per share (Subunit) | | | | |
| 6. Proposed/Declared dividend per share (Subunit) | | | | |
| | AS AT END OF CURRENT QUARTER | | AS AT PRECEDING FINANCIAL YEAR END | |
| 7. Net assets per share attributable to ordinary equity holders of the parent (\$\$) | | | | |
| Remarks | | | | |

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:

| Country | Base unit | Subunit |
|----------------|-----------|---------|
| Malaysia | Ringgit | Sen |
| United States | Dollar | Cent |
| United Kingdom | Pound | Pence |

PRIVATE & CONFIDENTIAL

PBA HOLDINGS BHD

Company No: 515119-U
(Incorporated in Malaysia)

Interim Financial Report

30 SEPTEMBER 2015

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 - 4 |
| Condensed Consolidated Statement of Cash Flows | 5 |
| Notes to the Condensed Consolidated Interim Financial Statements | 6 - 14 |

Condensed Consolidated Statement of Financial Position
As at 30 September 2015 - unaudited

| | Note | 30 September 2015 RM'000 | 31 December 2014 RM'000 |
|--------------------------------------|------|-----------------------------|----------------------------|
| Assets | | | |
| Property, plant and equipment | 5 | 887,861 | 871,905 |
| Investment in a joint venture | | 5,366 | 3,071 |
| Other investments | | 2,466 | 10,501 |
| Total non-current assets | | <u>895,693</u> | <u>885,477</u> |
| Inventories | | 8,043 | 8,971 |
| Trade and other receivables | | 61,364 | 44,430 |
| Tax recoverable | | 2,229 | 1,301 |
| Cash and cash equivalents | | 42,002 | 53,200 |
| Total current assets | | <u>113,638</u> | <u>107,902</u> |
| Total assets | | <u>1,009,331</u> | <u>993,379</u> |
| Equity | | | |
| Share capital | | 165,635 | 165,635 |
| Reserves | | 585,598 | 561,916 |
| Total equity | 6 | <u>751,233</u> | <u>727,551</u> |
| Loans and borrowings | 18 | 18,683 | 16,416 |
| Deferred income | 19 | 51,959 | 48,093 |
| Deferred liabilities | 20 | 63,546 | 64,743 |
| Deferred tax liabilities | | 2,660 | - |
| Total non-current liabilities | | <u>136,848</u> | <u>129,252</u> |
| Deferred liabilities | 20 | 1,595 | 1,595 |
| Trade and other payables | | 119,655 | 134,981 |
| Total current liabilities | | <u>121,250</u> | <u>136,576</u> |
| Total liabilities | | <u>258,098</u> | <u>265,828</u> |
| Total equity and liabilities | | <u>1,009,331</u> | <u>993,379</u> |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the nine months ended 30 September 2015 - unaudited

| | Note | Three months ended 30 September | | Current year-to-date ended 30 September | |
|---|------|------------------------------------|-----------------|--|------------------|
| | | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Continuing operations | | | | | |
| Revenue | | 82,377 | 65,195 | 221,981 | 197,807 |
| Cost of sales | | <u>(53,609)</u> | <u>(47,689)</u> | <u>(152,547)</u> | <u>(144,305)</u> |
| Gross profit | | 28,768 | 17,506 | 69,434 | 53,502 |
| Other operating income | | 3,024 | 5,521 | 8,651 | 11,860 |
| Administrative expenses | | <u>(15,732)</u> | <u>(14,573)</u> | <u>(46,159)</u> | <u>(40,791)</u> |
| Operating profit | | <u>16,060</u> | <u>8,454</u> | <u>31,926</u> | <u>24,571</u> |
| Interest income | | 82 | 347 | 548 | 837 |
| Share of profit of equity-accounted joint venture, net of tax | | <u>(11)</u> | <u>46</u> | <u>141</u> | <u>119</u> |
| Profit before tax | | 16,131 | 8,847 | 32,615 | 25,527 |
| Income tax expense | 16 | <u>(3,009)</u> | <u>(310)</u> | <u>(3,326)</u> | <u>(612)</u> |
| Profit for the period | | <u>13,122</u> | <u>8,537</u> | <u>29,289</u> | <u>24,915</u> |
| Other comprehensive income, net of tax | | | | | |
| Foreign currency translation differences for foreign operation | | 1,427 | (59) | 2,177 | (171) |
| Fair value of available-for-sale financial assets | | <u>(1,095)</u> | <u>(1,061)</u> | <u>(1,160)</u> | <u>(1,731)</u> |
| Total other comprehensive income for the period | | 332 | (1,120) | 1,017 | (1,902) |
| Total comprehensive income for the period | | <u>13,454</u> | <u>7,417</u> | <u>30,306</u> | <u>23,013</u> |
| Profit for the period attributable to owners of the company | | <u>13,122</u> | <u>8,537</u> | <u>29,289</u> | <u>24,915</u> |
| Total comprehensive income attributable to owners of the company | | <u>13,454</u> | <u>7,417</u> | <u>30,306</u> | <u>23,013</u> |
| Basic earnings per ordinary share (sen) : | 23 | <u>3.96</u> | <u>2.58</u> | <u>8.85</u> | <u>7.53</u> |

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2014 - unaudited

| | Non-distributable | | | Distributable | | |
|--|---------------------------|-------------------------|------------------------------|--|-----------------------------|------------------------|
| | Treasury shares RM'000 | Share premium RM'000 | Fair value reserve RM'000 | Foreign Currency Translation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2014 | (223) | 161,944 | 3,407 | 607 | 385,378 | 716,748 |
| Fair value of available-for-sale financial assets | - | - | (1,731) | - | - | (1,731) |
| Foreign currency translation differences for foreign operation | - | - | - | (171) | - | (171) |
| Total other comprehensive income for the period | - | - | (1,731) | (171) | - | (1,902) |
| Profit for the period | - | - | - | - | 24,915 | 24,915 |
| Total comprehensive income for the period | - | - | (1,731) | (171) | 24,915 | 23,013 |
| Dividends | - | - | - | - | (6,620) | (6,620) |
| Purchase of treasury shares | (2) | - | - | - | - | (2) |
| At 30 September 2014 | (225) | 161,944 | 1,676 | 436 | 403,673 | 733,139 |

Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2015 - unaudited

| | Non-distributable | | | Distributable | | |
|--|---------------------------|-------------------------|------------------------------|--|-----------------------------|------------------------|
| | Treasury shares RM'000 | Share premium RM'000 | Fair value reserve RM'000 | Foreign Currency Translation reserve RM'000 | Retained earnings RM'000 | Total equity RM'000 |
| At 1 January 2015 | (226) | 161,944 | 1,325 | 1,149 | 397,724 | 727,551 |
| Fair value of available-for-sale financial assets | - | - | (1,160) | - | - | (1,160) |
| Foreign currency translation differences for foreign operation | - | - | - | 2,177 | - | 2,177 |
| Total other comprehensive income for the period | - | - | (1,160) | 2,177 | - | 1,017 |
| Profit for the period | - | - | - | - | 29,289 | 29,289 |
| Total comprehensive income for the period | - | - | (1,160) | 2,177 | 29,289 | 30,306 |
| Dividends | - | - | - | - | (6,623) | (6,623) |
| Purchase of treasury shares | (1) | - | - | - | - | (1) |
| At 30 September 2015 | (227) | 161,944 | 165 | 3,326 | 420,390 | 751,233 |

Condensed Consolidated Statement of Cash Flows
For the nine months ended 30 September 2015 - unaudited

| | Nine months ended 30 September | |
|---|--------------------------------|-----------------|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before tax from continuing operations | 32,615 | 25,527 |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 41,007 | 35,317 |
| Write back Impairment of assets | - | (140) |
| Reversal of impairment loss on other investments | (236) | (118) |
| Impairment on property, plant and equipment | 3,768 | - |
| Impairment loss on receivables | 317 | - |
| Amortisation of deferred liabilities | (1,196) | (1,196) |
| Amortisation of deferred income | (555) | (2,686) |
| Gain on disposal of other investments | (1,711) | (2,447) |
| Loss on disposal of property, plant and equipment | 33 | 20 |
| Property, plant & equipment written off | 309 | 9 |
| Share of profit of joint venture | (119) | (120) |
| Dividend income | (130) | (279) |
| Interest income | (754) | (919) |
| Operating profit before changes in working capital changes | 73,348 | 52,968 |
| Inventories | 929 | 2,962 |
| Trade and other receivables | (17,460) | (5,484) |
| Trade and other payables | (9,325) | (4,501) |
| Cash generated from operations | 47,492 | 45,945 |
| Income tax paid | (1,598) | (1,990) |
| Income tax refunded | 4 | - |
| Net cash from operating activities | 45,898 | 43,955 |
| Cash flows from investing activities | | |
| Dividends received | 130 | 276 |
| Interest received | 754 | 919 |
| Proceeds from disposal of other investments | 13,188 | 22,760 |
| Proceeds from disposal of property, plant and equipment | - | 108 |
| Purchase of other investments | (4,366) | (9,134) |
| Purchase of property, plant and equipment | (57,385) | (54,656) |
| Net cash used in investing activities | (47,679) | (39,727) |
| Cash flow from financing activities | | |
| Dividend paid | (12,416) | (12,413) |
| Drawdown of loans | 3,000 | 851 |
| Purchase of treasury shares | (1) | (2) |
| Net cash used in financing activities | (9,417) | (11,564) |
| Net increase / (decrease) in cash and cash equivalents | (11,198) | (7,336) |
| Cash and cash equivalents at 1 January | 53,200 | 52,395 |
| Cash and cash equivalents at 30 September | 42,002 | 45,059 |

Cash and cash equivalents

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

| | Nine months ended 30 September | |
|---|--------------------------------|---------------|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| Cash and bank balances | 11,530 | 1,729 |
| Short-term deposits with licensed banks | 30,472 | 43,330 |
| | 42,002 | 45,059 |

Notes to the Condensed Consolidated Interim Financial Statements

PBA Holdings Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is 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 September 2015 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in joint venture entity.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2014 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 Board of Directors on 26 November 2015.

1. Basis of preparation

These condensed consolidated interim financial statements 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 2014.

2. Significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidation interim financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2014, except for the adoption of Amendments to MFRSs effective as of 1 July 2014.

2.1 Adoption of Amendments to MFRSs

The Group has adopted the following Amendments to MFRSs, with a date of initial application of 1 July 2014.

| | |
|------------------------|--|
| Amendments to MFRS 119 | Defined Benefit Plans: Employee Contributions |
| Amendments to MFRSs | Annual Improvements to MFRSs 2010 – 2012 Cycle |
| Amendments to MFRSs | Annual Improvements to MFRSs 2011 – 2013 Cycle |

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following Standards were issued but not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 January 2016

| | |
|---|---|
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 | Investment Entities: Applying the Consolidation Exception |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to MFRS 101 | Disclosure Initiative |
| Amendments to MFRS 116 and MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation |

Notes to the Condensed Consolidated Interim Financial Statements

| | |
|-------------------------------------|--|
| Amendments to MFRS 116 and MFRS 141 | Agriculture: Bearer Plants |
| Amendments to MFRS 127 | Equity Method in Separate Financial Statements |
| Amendments to MFRSs | Annual Improvements to MFRSs 2012-2014 Cycle |

Effective for annual periods beginning on or after 1 January 2017

| | |
|---------|---------------------------------------|
| MRFS 15 | Revenue from Contracts with Customers |
|---------|---------------------------------------|

Effective for annual periods beginning on or after 1 January 2018

| | |
|----------------------|--|
| MRFS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) |
| Amendments to MFRS 7 | Mandatory Date of MFRS 9 and Transition Disclosures |

The initial application of the above standards is not expected to have any material impacts to the financial statements of the Group upon adoption except as mentioned below

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Int 13 *Customer Loyalty Programmes*, IC Int 15 *Agreements for Construction of Real Estate*, IC Int 18 *Transfers of Assets from Customers* and IC Int 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

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 2014.

4. Seasonality of operations

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

5. Property, plant and equipment

a) Acquisition and disposals

During the period ended 30 September 2015 the Group acquired assets with a cost of RM57.39 million (30 September 2014 : RM54.66 million).

Other assets with carrying amount of RM309,000 were written off during the period ended 30 September 2015 (30 September 2014 : RM9,000).

b) Depreciation and amortization

| | Three months ended 30-Sep | | Current year to-date ended 30-Sep | |
|-----------------------|------------------------------|----------------|--------------------------------------|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Charge for the period | 13,797 | 11,706 | 41,007 | 35,317 |

Notes to the Condensed Consolidated Interim Financial Statements

c) Impairment

During the period ended 30 September 2015, the subsidiary companies have impaired its assets amounting to RM3.77 million for Sungai Prai pumping station - not in use and there is no plan to revive the asset. (30 September 2014 : the subsidiary companies have written back the impairment of its assets amounting to RM140,000)

d) Capital Commitments

| | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|--|-----------------------------------|----------------------------------|
| Approved Capital Expenditures:- | | |
| i) Contracted but not provided for in the Financial Statements | 80,000 | 81,000 |
| ii) Approved but not contracted for | 347,000 | 404,000 |

e) Transfer Of Assets From Customers

During the period ended 30 September 2015, assets transferred from Customer amounted to RM3.69 million (30 September 2014 : RM6.65 million)

6. Share capital

No additional issuance of share capital as at 30 September 2015 except for the following:

a) Treasury shares

During the period ended 30 September 2015, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM1.10 per share (30 September 2014 : 1,000 shares at average price of RM1.49 per share). The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

7. 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 30 September 2015.

8. Operating segments

There is only one business segment which is to abstract raw water, treat, supply and distribute water in the state of Penang. Other operations of the Group mainly comprise investment holding, provision of water bottling services and training facilities none of which constitutes a separately reportable segment.

9. Subsequent event

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

10. Contingencies

There are no contingencies to the Company for the period.

11. Related parties

There are no significant transactions and changes with a joint venture entity, Government related entities and key management personnel compensation for the period.

Notes to the Condensed Consolidated Interim Financial Statements

**NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS:
Chapter 9, Appendix 9B, Part A.****12. Review of Group performance**

Group revenue for the quarter ended 30 September 2015 increased by RM17.2 million or 26.4% as compared to the corresponding quarter in 2014. The increase was mainly due to the review in water tariffs which were raised with effect from 1 April 2015 for domestic and trade consumers. Group profit before tax of RM28.8 million increased by 64.3% as compared to the preceding year corresponding quarter of RM17.51 million due to the increase in water revenue.

13. Variation of results against preceding quarter

Group revenue increased from RM75.3 million to RM82.4 million as compared to the immediate preceding quarter. Group profit before tax of RM28.8 million was higher by RM2.7 million compared to the immediate preceding quarter of RM26.1 million largely due to the increase in water revenue as a result of water tariffs raised with effect from 1 April 2015 for domestic and trade consumers.

14. Current year prospects

Revenue from sales of water is expected to further increase in line with the increase in tariff, population and business levels. Nevertheless the Board continues to adopt measures to contain costs.

15. Profit forecast or profit guarantee

Not applicable.

16. Income tax expense

| | Three months ended 30 September | | Current year to-date ended 30 September | |
|---|------------------------------------|----------------|--|----------------|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Current income tax | | | | |
| Malaysian - current year | 349 | 310 | 666 | 612 |
| | <u>349</u> | <u>310</u> | <u>666</u> | <u>612</u> |
| Deferred Tax | | | | |
| Origination and reversal of temporary differences | 2,660 | - | 2,660 | - |
| | <u>2,660</u> | <u>-</u> | <u>2,660</u> | <u>-</u> |
| Income tax expense from continuing operations | <u>3,009</u> | <u>310</u> | <u>3,326</u> | <u>612</u> |

Income tax expense is recognized 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 lower effective tax rate of the Group is due to reinvestment allowance claimed by a subsidiary company.

Notes to the Condensed Consolidated Interim Financial Statements

16. Income tax expense (continued)

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 September 2015 RM'000 |
|---|--------------------------------|
| Profit before taxation | 32,615 |
| Taxation at Malaysian statutory tax rate of 24% | 7,828 |
| Income not subject to tax | (644) |
| Expenses not deductible for tax purposes | 249 |
| Others | (4,107) |
| Tax expense for the period | 3,326 |

As at 30 September 2015, the unutilised reinvestment allowance of the Group available indefinitely for off setting against future taxable profits amounted to RM479 million.

17. Corporate proposals

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

18. Loans and borrowings

The unsecured and interest free term loan was obtained from the State Government of Penang to finance Non Revenue Water (NRW) projects :

- a) RM20 million : repayable over 20 years period with effect from 14 September 2016
- b) RM24 million : repayable over 20 years period with effect from 10 December 2018

As at 30 September 2015, the subsidiary company has fully drawdown RM20.0 million from the 1st term loan agreement and RM13.0 million from the 2nd term loan agreement.

The term loan has been discounted using the prevailing financial rate of 5.5%.The fair value of the term loan was recognised as Deferred Income which will be amortised over 20 years period with effect from 14 September 2016 and 10 December 2018 respectively.

| | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|---|-----------------------------------|----------------------------------|
| Non-current | | |
| <i>Unsecured:</i> | | |
| Loans and borrowings | 18,683 | 16,416 |
| Deferred Income (refer to Note 19) | 14,317 | 13,584 |
| Term Loan from State Government of Penang | 33,000 | 30,000 |

Notes to the Condensed Consolidated Interim Financial Statements

| | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|--|-----------------------------------|----------------------------------|
| Balance brought forward | 16,416 | 10,280 |
| Add : Additions during the year | 1,527 | 5,522 |
| Add : Notional Interest :- Transfer from Deferred Income | 740 | 614 |
| Balance carried forward | 18,683 | 16,416 |

19. Deferred Income

| | Note | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|----------------------------------|------|-----------------------------------|----------------------------------|
| Government Term Loans | 19.1 | 14,317 | 13,584 |
| Assets Transferred from Customer | 19.2 | 37,642 | 34,509 |
| | | 51,959 | 48,093 |

19.1 Deferred Income – Government Term Loans

Deferred income represents the difference between the nominal value of the interest free term loan obtained from the State Government of Penang to finance Non-Revenue Water projects and the fair value of the loan measured on initial recognition. The deferred income is amortised over the useful life of the assets funded which ranged from 25 years to 50 years.

| | Note | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|--|------|-----------------------------------|----------------------------------|
| Balance brought forward | | 13,584 | 8,869 |
| Add : Additions during the year | | 1,473 | 5,329 |
| Less : Notional Interest :- Transfer to Loans & Borrowings | | (740) | (614) |
| Balance carried forward | 19 | 14,317 | 13,584 |

19.2 Deferred Income – Assets Transferred From Customers

The Deferred income from Transfer of Assets from Customers consist of the fair value of the assets transferred to a subsidiary company. The Deferred Income is amortised over the useful life of the transferred assets.

Notes to the Condensed Consolidated Interim Financial Statements

| | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|---------------------------------|-----------------------------------|----------------------------------|
| Balance brought forward | 34,509 | 30,726 |
| Add : Additions during the year | 3,688 | 9,585 |
| Less : Amortisation | (555) | (5,802) |
| Balance carried forward | 37,642 | 34,509 |

20. Deferred liabilities

| | | |
|----------------------------|--------|--------|
| Non-current | 63,546 | 64,743 |
| Current | 1,595 | 1,595 |
| Total Deferred liabilities | 65,141 | 66,338 |

The deferred liabilities representing lease incentive are to be amortised over the lease period of 45 years with effect from 1 August 2011.

21. Material litigation

As at 26 November 2015, there was no material litigation against the Group.

22. Dividends

The Board of Directors has declared an interim single tier dividend of 3.5% amounting to RM5,793,000 for the financial year ending 31 December 2015 (30 September 2014 – interim single tier dividend of 3.5% amounting to RM5,793,000).

Notes to the Condensed Consolidated Interim Financial Statements

23. Earnings per ordinary share

Basic earnings per ordinary shareholders

| | | | | |
|--|---|---|---|---|
| Profit for the period | Three months ended 30 September 2015 Continuing operations RM'000 | Three months ended 30 September 2014 Continuing operations RM'000 | Current year to-date 30 September 2015 Continuing operations RM'000 | Current year to-date 30 September 2014 Continuing operations RM'000 |
| | 13,122 | 8,537 | 29,289 | 24,915 |
| Issued ordinary shares at 1 January | Three months ended 30 September 2015 '000 Shares | Three months ended 30 September 2014 '000 Shares | Current year to-date 30 September 2015 '000 Shares | Current year to-date 30 September 2014 '000 Shares |
| Effect of share buyback | 331,271 (265) | 331,271 (263) | 331,271 (265) | 331,271 (263) |
| Weighted average number of ordinary shares | 331,006 | 331,008 | 331,006 | 331,008 |
| Basic earnings per ordinary share | Three months ended 30 September 2015 Continuing operations Sen | Three months ended 30 September 2014 Continuing operations Sen | Current year to-date 30 September 2015 Continuing operations Sen | Current year to-date 30 September 2014 Continuing operations Sen |
| | 3.96 | 2.58 | 8.85 | 7.53 |

Notes to the Condensed Consolidated Interim Financial Statements

24. Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group and of the Company as at 30 September 2015, into realised and unrealised profits, was compiled with the Guidance on Special Matter No 1, Determination of Realised and Unrealised Profit or Losses in the context of Disclosures pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysia Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad, is as follows:

| | At 30 September 2015 RM'000 | At 31 December 2014 RM'000 |
|--|-----------------------------------|----------------------------------|
| Total retained earnings : | | |
| Realised gain | 361,810 | 341,923 |
| Unrealised | 2,660 | - |
| | 364,470 | 341,923 |
| Share of retained earnings of joint venture | | |
| Realised | 2,040 | 1,921 |
| | 366,510 | 343,844 |
| Add : Consolidation adjustments | 53,880 | 53,880 |
| Total retained earnings | 420,390 | 397,724 |

25. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2014 was not qualified

26. Notes to the Condensed Statement of Comprehensive Income

| | Three months ended 30 September 2015 RM'000 | Year to-date 30 September 2015 RM'000 |
|---|--|--|
| a) Interest Income | (82) | (548) |
| b) Other Operating Income | (3,024) | (8,651) |
| c) Interest expense | 4 | 13 |
| d) Depreciation and amortization | 13,797 | 41,007 |
| e) Provision for and write off of receivables | 285 | 317 |
| f) Gain on disposal of other investments | (951) | (1,711) |
| g) Reversal of impairment loss on other investments | (142) | (236) |
| h) Water Intake Fees to State Government of Penang | 2,129 | 6,288 |
| i) Leasing charges to Pengurusan Aset Air Berhad (PAAB) | 3,241 | 9,724 |
| j) License Fees to Suruhanjaya Perkhidmatan Air Negara (SPAN) | 1,189 | 2,517 |