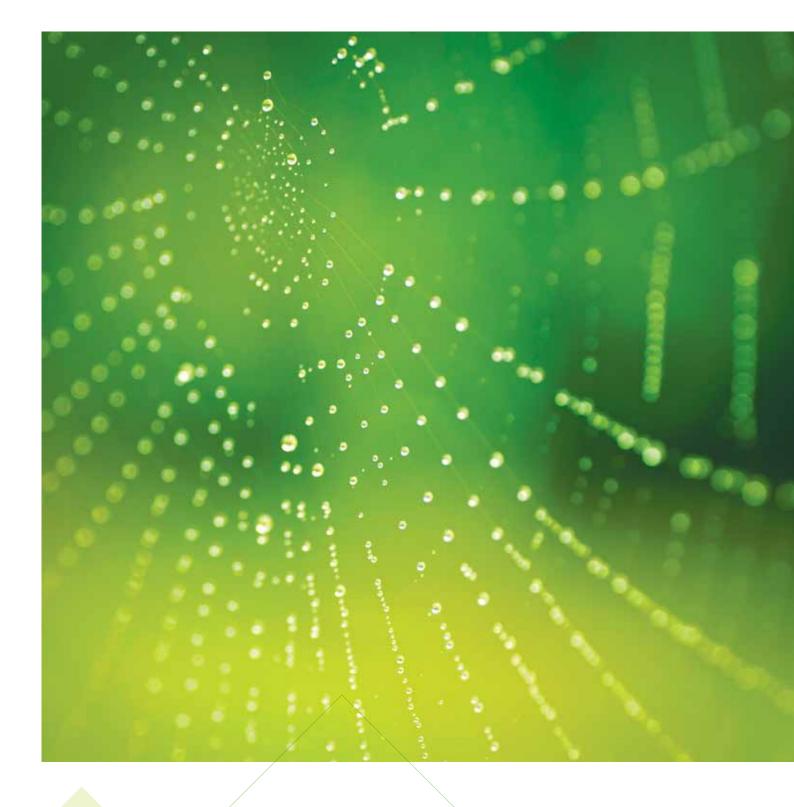




ANNUAL REPORT 2015





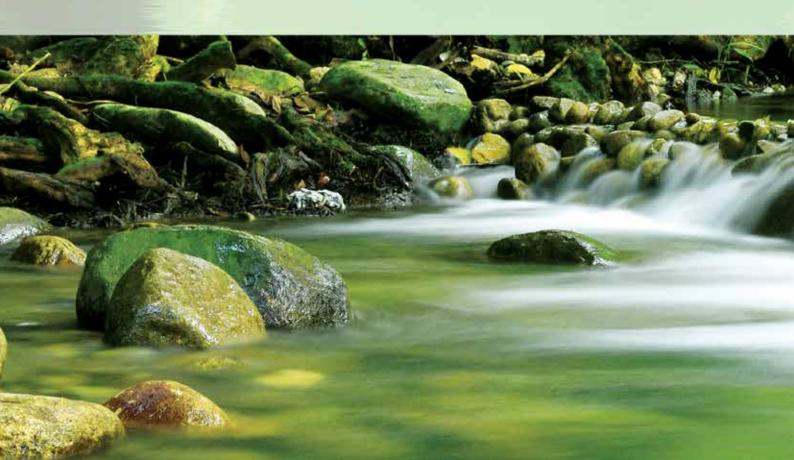
Water & the web of life

Water sustains life, nurtures ecosystems, influences climates and enables 21st Century lifestyles.

As such, it is good to reflect on the significance of water in the web of life and the reasons why we need to conserve it for the future.

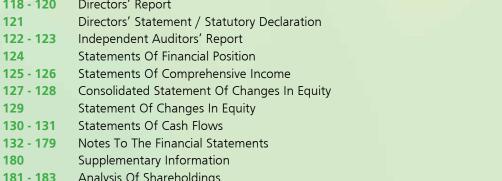
Contents

04	Holistic Water Supply Management & Key Corporate Objectives
05	Vision, Mission, Commitment & Core Values
06	Quality Policy
07	Environmental Policy
08	Occupational Safety & Health Policy
09	Risk Management Policy
10	Whistleblower Policy
11	Information Security Policy
12 - 17	Chairman's Message
18 - 19	CAFEO 33 2015
20 - 25	CEO's Message
26	CEO's Profile
27	Penang State Water Supply Infrastructure
28 - 29	Corporate Information
30	Corporate Structure
31	PBAPP Organisation Structure
34	Financial Highlights
35	Financial Calendar 2015
38 - 51	PBAHB Directors' Profile
54 - 61	Corporate Calendar 2015
64 - 67	Corporate Social Responsibility 2015
70 71	Awards & Cartifications



Report for Subsidiary Company Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.

	74 - 79	PBAPP Board Of Directors				
	80	PBAHB Top Management				
	81	PBAPP Senior Management Team				
	82	Penang State Water Supply Statistics 2015				
	83	Water Treatment Process				
	84 - 87	SUNGAI DUA: Penang's Most Highly Evolved Water Treatment Plant				
	88 - 90	Water Supply Engineering Report 2015				
	91 - 92 Administration Report					
	93 - 107	Statement Of Corporate Governance				
	108 - 110	Statement Of Risk Management And Internal Control				
	111 - 115	Audit And Risk Management Committee Report				
	116	Additional Compliance Information				
Financial Statements						
	118 - 120	Directors' Report				
	121	Directors' Statement / Statutory Declaration				
	122 - 123	Independent Auditors' Report				



Supplementary Information
181 - 183 Analysis Of Shareholdings
184 - 185 Top 10 Properties Of The Group
186 - 189 Notice Of Annual General Meetin

186 - 189 Notice Of Annual General Meeting And Notice Of Dividend Entitlement

190 Appendix Of Notice Of Annual General Meeting

191 Statement Accompanying Notice Of Annual General Meeting

193 Proxy Form





PBA Holdings Bhd's primary subsidiary is Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), the licensed water operator that serves the State of Penang in Malaysia.

With a land area totalling only 1,048 sq. km. Penang is a state with unlimited potential but very limited raw water resources.

Our primary business is to sustain continuous good water supply in Penang. With population growth and increasing socio-economic developments, we have to employ holistic water supply management strategies.

As such, we manage both water demand and supply in a water-stressed state.

Key Corporate Objectives

- Uninterrupted water supply
- Customer satisfaction
- Skilled, competent and motivated workforce
- Effective teamwork
- Timely and orderly development of water resources
- Productive utilization of financial and other resources
- · Continuous improvement in all fields
- Compliance with all relevant legislations
- Effective relations with government agencies and industrial organisations

Vision

Meeting all your water supply needs

Mission

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) will be the leading organisation in water supply

Commitment

We will be environmentally sensitive, responsible, proactive, professional, innovative and committed to excellence and sustainable development.

We will be responsible for the development of water supply and delivering the best possible service by being customer-oriented.

Core Values

Accountability
Communication
Teamwork
Integrity
On-Going Learning
New Ways of Improvement



Quality Policy

In line with its corporate objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards continual improvement as it strives to provide high quality services and products that will satisfy and delight customers.

Accordingly, PBAPP will:

- Continually improve and update its Quality Management System which is based on international ISO9001:2008 standards;
- Sustain a corporate culture driven by continual improvement by promoting and encouraging innovation, teamwork, diligence and creativity, as well as a proactive approach to water supply services;
- Provide the best possible training opportunities to encourage its employees to continuously upgrade their competency levels, knowledge and skills;
- Uphold its reputation as a model water supply organisation in Malaysia;
- Ensure the protection, preservation and conservation of the environment;
- Provide a safe and healthy working environment for all its personnel; and
- Ensure that all its personnel are fully committed towards promoting and implementing this quality management policy in all aspects of its operations and services.



Environmental Policy

In line with its corporate objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards protecting, preserving and conserving the environment while striving to meet all of Penang's water supply needs.

Accordingly, PBAPP will:

- Continually improve, update and expand its Environmental Management System which is based on international ISO14001:2004 standards;
- Strive to conduct its operations in a manner that is in harmony with nature;
- Reduce and/or control wastage of natural water resources and services.
- Conduct its business in a professional manner with emphasis on measurable key performance indicators and results, good corporate governance and corporate social responsibility;
- Prevent and avoid, as far as possible, any form of pollution by practising proper procedures, implementing control and monitoring mechanism, and conducting ISO14001:2004 audit practices and reviews;
- Comply with all related environmental legislative and legal standards, requirements and laws set by the Malaysian Government; and
- Ensure that all its personnel are fully committed towards promoting and implementing this environmental management policy in all aspects of its operations and services.





Occupational Safety & Health Policy

In line with its corporate objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards protecting, sustaining and supporting the wellbeing of its workforce.

Accordingly, PBAPP will:

- Continually improve and update its Occupational Safety & Health Management System which is based on international OHSAS18001:2007 specification;
- Promote safe and healthy work practices in all its offices, complexes and installations by identifying the hazards, assessing the risks and implementing control measures;
- Ensure that all its business activities are conducted without compromising the safety and health of its employees, contractors, suppliers, customers and visitors;
- Prevent and avoid, as far as possible, any workplace mishap by practising proper procedures, implementing control and monitoring mechanisms, and conducting OHSAS18001:2007 audit practices and reviews;
- Comply with all legislative and legal requirements and laws set by the Malaysian Government in relation to occupational safety and health; and
- Ensure that all its personnel are fully committed towards promoting and implementing this occupational safety & health management policy in all aspects of its operations and services.

Risk Management Policy

- Continuously identifying and assessing risks and improving control measures steered by clear guidelines for preventing, detecting and minimising risks.
- Maintaining a continuous effort towards prioritising and managing business risk based on the likelihood of occurrence (possibility) and magnitude of impact (severity) to:

Ensure business continuity;

Minimise any unexpected damage to reputation, shareholders' value and confidence; and

Prevent capital leakage, wastage and loss of earnings.

- There shall be a continuous effort by management to create, promote and sustain a company-wide culture of risk awareness and management.
- Daily operating business risks shall be the primary responsibility of the management and employees of the Company whilst corporate risks and responsibilities shall remain with the Board.





Whistleblower Policy

WHISTLEBLOWER POLICY WITHIN PBA HOLDINGS BHD GROUP OF COMPANIES

"Whistleblowing", involves the disclosure of information to the relevant authorities by specific employees (within PBAHB and its subsidiaries), vendors and the general public, who discover breaches of the securities laws or any possible serious violation of internal policies, procedures or external laws by the perpetrators, culprits or fraudsters.

WHISTLEBLOWER POLICY gives protection to such persons against harassment or victimisation as a result of such disclosures; the Company has established internal procedures for handling employee concerns, to assist companies to address any shortcomings within its processes, and to facilitate good governance practices. Therefore, employees, vendors and the general public are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and malpractices at the earliest opportunity via the appropriate channel.

THE UNDERLYING FUNDAMENTALS AND **RATIONALE OF THE POLICY**

- All concerns raised will be treated fairly and properly;
- The Company will not tolerate harassment or victimization of the employees, vendors and the general public raising a genuine concern;
- iii) Any employees, vendors and the general public making a disclosure will retain anonymity unless he agrees otherwise;
- iv) The Company will ensure that the employees, vendors and the general public raising a concern is aware of who is handling the matter;
- The Company will ensure no employees, vendors and the general public will be at risk of suffering any form of reprisal as a result of raising a genuine concern;

- vi) To enable the Company to achieve the highest possible standards of corporate governance ethical standards;
- vii) The Company's workforce represents a valuable source of information that can be utilized to identify a potential problem, and deal with it, before it causes potential damage to the Company's reputation or stakeholders;
- viii) This Policy provides employees, vendors and the general public with a secure channel of reporting impropriety in the knowledge that the matter will be treated confidentially;
- ix) An effective whistleblowing procedure will provide an open, honest and accountable culture amongst all employees, vendors and the general public where they can express their concerns, without fear of victimization or termination of employment.

To report any incidents please contact any of the following Company Directors who have been appointed as the Liaison Officers, via telephone, mail or email. The appointed persons will act promptly to investigate the issue:

YB Prof. Dr. P. Ramasamy a/I Palanisamy

Tel: 04-262 9930 Fax: 04-261 8715

Email: ramasamy@penang.gov.my

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff

Tel: 04-227 5000

Email: nazir@aspen.com.my

By mail:

PBA Holdings Bhd

Level 32, Menara Komtar, Jalan Penang,

10000 Pulau Pinang.



MS ISO/IEC 27001:2007 Information Security Policy

INFORMATION SECURITY POLICY

PBAPP recognises the value and importance of information and Information Assets for the organisation in providing adequate, clean and safe water to the state of Penang. This Policy is aimed at protection of Information Assets of Sungai Dua Water Treatment Plant (WTP) and all its supporting services which shall serve as point of reference for all other subsequent policies pertaining to Information Security and shall also act as a guide towards planning for emergency and crisis situations.

It is the Policy of the Management of PBAPP to ensure:

- 1. Information Assets will be protected against unauthorised access.
- 2. Confidentiality, Integrity and Availability of information and Information Assets will be assured, maintained and met accordingly.
- Classification of Information Assets is applied and to perform Risk Management to identify and evaluate security risks so that appropriate measures can be taken.
- 4. Standards, Procedures and Guidelines relating to the Information Security is in place to support its implementation as well as to define the minimum level of information security compliance for all employees and third parties who conduct business with Sungai Dua WTP.
- 5. Regulatory and legislative requirements will be met.
- Availability of information security training to all staff of Sungai Dua WTP.

7. Continual improvement to Information Security Management System (ISMS) security initiatives with sufficient provision of resources.

Application of this Policy

- This Policy applies to all staff at Sungai Dua WTP and its supporting services and to all information contained therein, whether owned by, held in custody for customers, or, used by Sungai Dua WTP and its supporting services.
- 2. The ISMS Management Representative (ISMS MR) shall be responsible for structuring information security within Sungai Dua WTP and its supporting services. He/She shall maintain the policies and advise on its implementation.
- 3. All Department Heads are directly responsible for implementing the Policy within their own departments, and for adherence by their staff.
- 4. It is the responsibility of each employee of the Sungai Dua WTP to adhere to the Policy and related Standards, Procedures and Guidelines. Breach of these may result in disciplinary action.
- 5. Staff should report all breaches of information security, actual or suspected, to their respective Managers for further action.

Delivering Results

In 2015, PBA Holdings Bhd (PBAHB) recorded a profit after tax (PAT) of RM38.00 million, while achieving non-revenue water (NRW) of 19.9% in Penang.

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), our wholly-owned subsidiary, sustained 100% urban supply and 99.7% rural supply coverage in Penang in 2015 and the first guarter of 2016.

There was no incidence of water rationing in Penang during the prolonged dry season in Q1 of 2015, and also during the super hot, 'Super El Niño' season in Q1 2016. This is a record we are proud of and hope we can maintain when the Super El Nino season gains in ferocity with ever longer droughts.

Moreover, our smooth and professional water supply services continued to support the socioeconomic development of Penang. In fact, if not for the sharp drop in the value of the ringgit last year, Penang would have achieved the status of a highincome economy*.

In view of these achievements, one could say that PBAHB has, once again, delivered the right results for all stakeholders in 2015.

NET DIVIDEND OF 7.5% FOR 2015

As 2015 was another profitable year for PBAHB, the Board is proposing a final single tier dividend of 4.0% for the year in review.

We are pleased to table, for your kind approval, this final dividend payment. With approval, all shareholders will receive a net single tier dividend proposed and declared of approximately 7.5% for the financial year ended 31 December 2015.

If approved, the amount of this final dividend pay out will be RM6.62 million.

CORE BUSINESS REPORT 2015

PBAHB is the public-listed holdings company for PBAPP, the water supply operator licensed by the National Water Services Commission (SPAN) to serve Penang.

Accordingly, PBAHB Group's primary revenue stream was from the sale of water.

In 2015, sales of water to 575,747 registered water consumers in Penang generated RM300.325 million in revenue for the company, as compared to RM261.017 million in 2014. The percentage revenue increase year-on-year was 15.06%.

Other operating income contributed an additional RM11.245 million to our coffers in 2015, as compared to RM16.853 million in 2014.

Meanwhile, PBAHB's cost of sales was RM207.119 million in 2015, or 5.89% more than in 2014 (RM195.603 million). Administrative expenses also increased marginally by 4.36% year-on-year, to RM60.632 million as compared to RM58.101 million in the preceding year.

Taking into account interest income and share of profit from an equity-account joint venture, PBAHB recorded a profit before tax (PBT) of RM44.770 million for 2015.

Deducting a tax expense of RM6.770 million, the PAT for 2015 was RM37.999 million, 53.48% higher than the 2014 PAT of RM24.759 million.

PROSPECTS FOR THE FUTURE

PBAHB's financial prospects are invariably linked with Penang's future prospects, as the demand for water supply generally increases in tandem with population growth, social development and economic expansion.

Although Penang has a land area of only 1,048 sg km, it contributed to 7.4% of Malaysia's Gross Domestic Product (GDP), 7.0% of port container traffic and 22% of the country's balance of trade surplus in 2014. Penang also attracted 12.3% of Malaysia's foreign tourist arrivals.

In 2015, Penang's GDP was projected to be RM71.063 billion in 2015. The estimated GDP per capita was RM42,251.



Chairman's Message



GOUR smooth and professional water supply services continued to support the socio-economic development of Penang. 37

The World Economic Forum Human Capital Report has defined a 'high income economy' as one in which the GDP per capita reaches USD12,467. Based on the USD1 to RM3.27 exchange rate in 2014, this threshold would have been RM40,841.

However, the drop in the value of the ringgit in 2015 (due to extraneous factors such as the 1MDB scandal) has inadvertently raised the bar for Penang to RM50,000. Although Penang is not a 'high income economy' yet, it is well on the way there.

Meanwhile, the Penang State Government is shaping a progressive economic policy that is investment-led, inclusive and sustainable to create wealth through a public-private partnership that drives long-term growth and productivity.

In many respects, Penang is an entrepreneurial state. However, the State Government does not believe in becoming involved in market outcomes, in accordance to the mantra that "the business of government is not to get into business." Instead, the State focuses on playing a catalytic role in providing public goods and services and basic communications infrastructure while spurring the development of key risk industries.

In this context, several exciting developments are presently being proposed and implemented by the State to ensure that Penang achieves the 'high income economy' status in the shortest possible time:

- The Gurney Wharf Project: a public seafront promenade recreational area to be developed on 24.28 hectares of reclaimed land fronting the sea off Gurney Drive. Inspired by globally renowned waterfront places in San Francisco, London and Sydney, this "Park on the Sea" project will provide a refreshing public space for the people as well as boost tourism, retail and food & beverage activities.
- Penang Undersea Tunnel: a 6.5km tunnel that will directly 'connect' Butterworth in Seberang

Prai with George Town on Penang Island. This "third link" will enhance the development of both Butterworth and North Seberang Perai with George Town as centres for business, tourism and culture.

- Seberang Prai Selatan Development Corridor: Encompassing the areas of Bukit Minyak, Nibong Tebal and Batu Kawan within proximity of the Second Penang Bridge, this 120 sq km "growth corridor" will be developed into an integrated hub for manufacturing, services and commercial/residential property development on the southern front of the mainland.
- Penang Transport Master Plan (PTMP): A 5-in-1 public transport solution incorporating LRT/ monorail systems, ferry/water taxis, taxis, buses and cable cars. The PTMP will focus on moving people rather than moving vehicles to effectively address traffic congestion issues on Penang Island.

Safe, stable and sustainable water supply management is a critical requirement for the successful realisation of these development projects.

As Penang stands on the threshold of a new era in world-class development, PBAHB will plan and implement long-term solutions in sustainable water supply management to help our state to unleash its full potential.

We will continue to meet all of Penang needs in water supply.

RAW WATER CHALLENGE

The main challenge for Penang and PBAHB is securing a second raw water resource.

This year, we managed to optimise water abstraction from Sungai Muda, our primary source of raw water to avoid rationing during the 'Super El Niño' phenomenon. However, such measures may no longer be enough in the future when water demand is higher.





Despite numerous requests since 2011, the Federal Government has not moved to initiate the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS).

Meanwhile, Perak has insisted that it is interested to sell "treated water" to Penang. This is impractical because Perak's water tariffs for domestic consumption (up to 35,000 litres per month) and trade consumption (up to 500,000 litres per month) are higher than Penang's tariffs.

Please allow me to reiterate that when Penang migrated to the National Water Services Restructuring Initiative (NWSRI) in 2011, it was agreed that the Federal Government would be financially responsible for other new raw water resource projects for the benefit of Penang.

Moreover, the implementation of the SPRWTS will

also benefit water supply operations in North Perak.

In 2016, Penang will continue to pursue the implementation of the SPRWTS.

However, with the present impasse, it is becoming increasingly evident that Penang needs to implement contingency plans to avoid a water crisis in the future. Since we do not believe in waiting for a crisis to occur, we will plan ahead to avoid it.

While continuing to depend primarily on Sungai Muda, we will look into the possibility of implementing rainwater harvesting, water recycling and desalination to ensure water sufficiency in the future. Such technologies have been successfully implemented in Singapore to good effect.

The price of such technologies will be higher when compared to the costs of conventional water

treatment in Penang. Nevertheless, it may well be a price that Penang has to pay to avoid rationing and to attain water security for the future.

ACKNOWLEDGEMENTS

As we mark yet another vintage year in PBAHB's history, I wish to commend and thank my fellow Board Members, as well as the management and staff of PBAHB and PBAPP, for the fine results we achieved in 2015.

The icing on the cake was the 'ASEAN Outstanding Engineering Achievement Award 2015' that PBAPP received for design and construction work at the Sungai Dua Water Treatment Plant. This award was received by our Chief Executive Officer Dato' Ir. Jaseni Maidinsa at the closing dinner of 33rd Conference of the ASEAN Confederation of Engineering Organisations in Penang on 25th November 2015.

Dato' Ir. Jaseni (who received his Dato'ship award in conjunction with the 77th Birthday of the Yang Dipertua Negeri Pulau Pinang on 5th September 2015) was also honoured with a second CAFEO 33 award for 'Outstanding Engineer and Industry Leader".

Looking ahead, I hope these ASEAN-level awards will motivate us to address the water supply challenges of 2016 and 2017 in typical PBAHB style - professionally, efficiently and sustainably. Let us continue to deliver the right results to all our stakeholders.

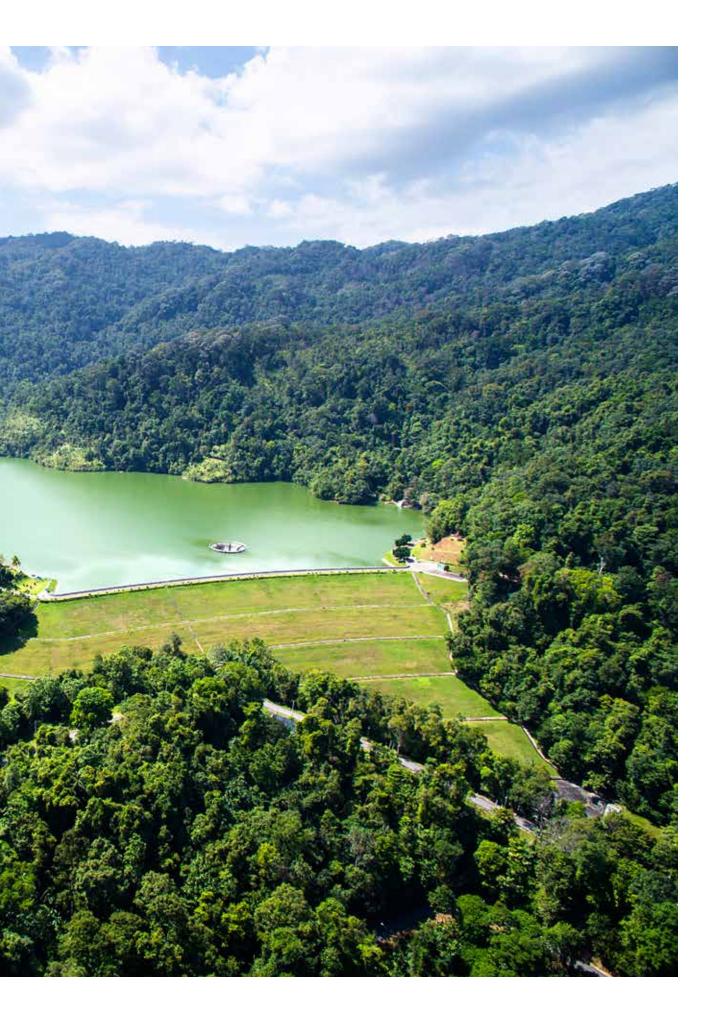
Thank You.

Lim Guan Eng

18 April 2016

"Penang: A High Income Model for Malaysia through Inclusive Growth", 14 October 2015, Merton College, Oxford University, UK.





CAFEO 33 2015



Conference of ASEAN Federation of Engineering Organizations 24th November 2015







Two ASEAN Engineering Awards for PBAPP





Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) received two awards at the 33rd Conference of the ASEAN Federation of Engineering Organisations (CAFEO).

The "ASEAN Outstanding Engineering Achievement Award 2015" was conferred upon PBAPP for its engineering achievements at the Sungai Dua Water Treatment Plant (Sungai Dua WTP) in Seberang Perai.

This award recognises outstanding engineering achievements in ASEAN countries. Its citation states: 'The basis for this award shall be an engineering achievement that demonstrates outstanding engineering skills, that have made a significant contribution to the engineering process and the quality of life in ASEAN.'

PBAPP and PBA Holdings Bhd (PBAHB) Chief Executive Officer Dato' Ir. Jaseni Maidinsa said water supply engineering developments in the Sungai Dua WTP had supported Penang's phenomenal socio-economic growth in the past 41 years.

"The Sungai Dua WTP was commissioned in 1973. Since then, its maximum treatment capacity has been expanded 9-fold (900%), from 136MLD (million litres per day) to 1,228MLD in March 2016.

"In 1973, there was only one water treatment module in the Sungai Dua WTP. Today, there are five operational treatment modules in the plant. A sixth module is coming online soon," he said. Dato' Ir. Jaseni said that PBAPP would continue to expand the Sungai Dua WTP, with a view to further enhance its output and efficiency for the future.

"In fact, this 'ASEAN Outstanding Engineering Achievement Project Award' honours the good work of many dedicated Penang water supply engineers and technicians since 1973.

"The late Dato' Ir. Kam U-Tee and Dato' Ir. Lee Yow Ching, the General Managers of Pihak Berkuasa Air (PBA), laid the foundations on which we continue to build upon today. Dato' Ir. Liew Chook San, the previous General Manager of PBAPP, set us on the right path towards professional 21st century water management in Penang," he said.

"Most importantly, this award belongs to everyone in the PBAPP family who continuously work as a team. It will inspire us to continue upholding the fine tradition of ensuring good water supply in Penang," he added.

The second AFEO award for PBAPP is the conferment of the "ASEAN Outstanding Engineering Achievement Award" for the Year 2015 upon Dato' Ir. Jaseni. This award is given to Dato' Ir. Jaseni for his success as an Outstanding Engineer and Industry leader who has devoted constantly to the Society and Community in Malaysia.

Dato' Ir. Jaseni has served in PBA, PBAPP and PBAHB for 30 years.

Sustaining Continuous Water Supply

KEY OPERATIONAL STATISTICS 2015

During the year in review, PBAPP sold an average of 812.8 million litres of treated water per day (MLD) to registered domestic and trade consumers throughout the State of Penang.

We used conventional treatment technology to treat water abstracted from rivers and catchment areas in 9 treatment plants, the largest being the ASEAN award-winning Sungai Dua Water Treatment Plant (WTP) in Seberang Prai at CAFEO.

Treated water was stored in 57 reservoirs and 40 towers throughout the State of Penang. PBAPP operated 88 booster pump stations to push treated water to its customers via a distribution network comprising 4,346km of pipelines (100mm and above).

Year-on-year, our customer base increased by 2.48%, from 561,811 customers in 2014 to 575,747 customers in 2015. As the PBAPP workforce stood at 1,232 personnel during the year in review, our employee to consumer efficiency ratio was 1:467.

MANAGING THE 'SUPER EL NINO' THREAT

In water supply management, it always pays to plan ahead.

In Q4 of 2015, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) worked to ensure that the effective capacities of Penang's operational dams were as high as possible in view of dry season water needs in Q1 2016. On 1st January 2016, the effective capacities of the Air Itam Dam and Teluk Bahang Dam were 89.3% and 84.2% respectively.

On 10th January 2016, news broke on the projected impact of a 'Super El Niño' phenomenon nationwide. The Meteorological Department warned that all Malaysian states would experience the impact of this phenomenon, with a 20%-60% shortfall in rainfall and soaring temperatures.

On 13th January 2016, PBAPP issued a media release announcing a water supply status alert and urging people and businesses to conserve water in view of the threat.

Meanwhile, PBAPP also streamlined the following engineering initiatives:

- Optimising Penang's dam reserves by drawing down as little water as possible from the dams.
- Increasing extraction of water from Sungai Muda for treatment at the Sungai Dua WTP.
- Increasing the output of the Sungai Dua WTP to produce more treated water daily.
- Pumping water from the Sungai Dua WTP at higher pressures to reach all areas on the mainland, and to the South-West district of Penang Island.
- Expediting repair works for pipe bursts that may be caused by higher pumping pressures.
- Monitoring the levels of Sungai Muda, Penang's primary source of raw water, 24/7.

In February 2014, Penang had secured a standing agreement with the Ministry of Energy, Green Technology and Water (KeTTHA) to ask Kedah to release water into Sungai Muda as needed by Penang. This agreement facilitated the decommissioning of the Mengkuang Dam, Penang's largest dam, to enable the RM1.2 billion Mengkuang Dam Expansion Project (MDEP).

As a result of these initiatives, there has been no incidence of rationing in Penang to date. PBAPP continues to supply water to 575,747 customers, 24/7.

The manner in which PBAPP managed this threat reflects its business philosophy in managing water supply sustainably for Penang.

As far as possible, we do not plan to deal with crises. Instead, we plan to avoid crises.



CEO's Message



CEO's Message (Cont'd)



The manner in which PBAPP managed the 'Super El Niño' threat reflects its business philosophy in managing water supply sustainably for Penang.

7 FORWARD-PLANNING PROJECTS

As part of its commitment to continuous improvement and to avoid rationing at all costs, PBAPP has completed and/or commissioned several key water infrastructure projects in the period April 2015 - May 2016:

- In 2016, PBAPP is planning to award a public tender for the laying of 3.2km of 1,200mm twin submarine pipelines from Butterworth to Penang Island. The implementation of this project will further upgrade the delivery of treated water from the Sungai Dua WTP to areas on the island.
- Package 12 Sungai Dua WTP: A new 114 MLD water treatment module to further upgrade the plant's overall maximum treatment capacity from 1,114MLD to 1,228MLD.
- Bukit Dumbar 2 Pumping Station: A new 272 MLD pumping station to upgrade treated water pumping operations from Bukit Dumbar to the South-West District of Penang Island. This new station will also back-up the operations of the original Bukit Dumbar pumping station at this strategic location.
- 36 Million Litre (ML) Jawi Reservoir: A new reservoir to increase treated water storage in Seberang Prai Selatan.
- 900mm Pipeline from Bukit Tengah to Jalan Song Ban Keng: 3.2km of pipes have been installed in anticipation of a higher demand for water in the township of Bukit Mertajam.
- 450mm Pipeline from Teluk Bahang Dam to Titi Kerawang: 6.3km of pipes have been installed to enhance distribution in nearby areas as well as to address future needs in Balik Pulau.
- Teluk Bahang treated water pumping station to back up water supply to Balik Pulau.

5 SUSTAINABLE WATER SUPPLY MANAGEMENT INITIATIVES

Looking ahead, PBAPP is focusing on 5 key strategies to sustain good water supply in Penang towards 2020 and beyond.

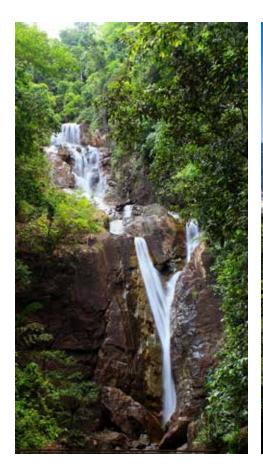
Based on the principle that sustainable water supply management requires both 'demand management' and 'supply management', the strategies are:

DEMAND MANAGEMENT

- Public Awareness & Education: To cultivate the development of a 'water saving society' and to promote sustainable development. Besides highlighting water supply issues and challenges and the benefits of saving water, this initiative focuses on water education programmes for primary and secondary students.
- Raise the Value of Water: In support of the development of a water saving culture, PBAPP plans to gradually raise tariffs to motivate all consumers to use water wisely.
- Promote Water Saving Devices (WSDs): WSDs include devices such as taps, showers, toilet fittings, washing machines and dishwashers that automatically minimise water flow. The plan is to amend building by-laws and make it mandatory for all new development projects to install WSDs. Incentives may also be offered to trade consumers who retrofit such devices in their buildings.

SUPPLY MANAGEMENT

Holistic Water Supply Management: To avoid rationing, PBAPP strives to optimise all elements of the water supply value chain. In this context, PBAPP will continue to work with the Penang State Government to protect gazetted water catchment areas in Penang. PBAPP will also look into ways and means to increase the dry





weather storage capacities of Penang's dams and reservoirs to last more than 100 days in view of climate change challenges. A key example of this commitment is the Mengkuang Dam Expansion Project.

Develop Additional Raw Water Resources:
With various iconic development projects in the
pipeline, Penang is fast approaching the limit of
its dependency on one primary source of raw
water – Sungai Muda. With this in mind, PBAPP
will continue to push for the implementation of
the Sungai Perak Raw Water Transfer Scheme
(SPRWTS) as an additional raw water resource.
At the same time, we will also look into other
technologies such as rainwater harvesting,
water recycling and desalination as long-term
raw water resource solutions for Penang to
complement existing conventional water
treatment technologies.

12% INCREASE IN REVENUE FROM CHINA SUBSIDIARY

Pinang Water Limited (PWL) generated a 12% increase in revenue for supplying 50MLD of treated water in Yichun City, Jiangxi Province, China. The company's revenue appreciated from USD1.94 million in 2014 to USD2.18 millon in 2015.

PWL is a joint-venture company set up amongst YLI Holdings Bhd, PBA Holdings Bhd and Ranhill Water (Hong Kong). Since 2006, its China-registered subsidiary has been managing the daily operations of the Yuan He Water Treatment Plant in Jiangxi Province, China.

HRDF RECOGNITION FOR PWSA

In May 2015, the Penang Water Services Academy (PWSA) secured Human Resources Development Fund (HRDF) recognition as a training provider. This allows our existing and prospective clientele to utilise their HRDF contributions for PWSA training programmes.

PWSA is the only accredited water services academy in Malaysia that is recognised by the Skills Development Department (JPK) under the Ministry of Human Resources, Malaysia.

In November 2015, the National Water Services Commission (SPAN) renewed its approval for PWSA to conduct Technical Competency Programmes that lead to the only Government-recognised technical training certifications in the field of water supply in Malaysia.

CEO's Message (Cont'd)

ACKNOWLEDGEMENTS

On behalf of the management and staff of PBAHB and PBAPP, I thank our Board of Directors for their valuable input and guidance in 2015.

It was a rewarding year for the PBA Group of Companies. We managed to achieve many meaningful results. Once again, I would like to give credit where credit is due: to the PBAHB-PBAPP family for their good work, as well as for good teamwork.

Finally, I would like to record our appreciation for the support from all our stakeholders, customers and business partners who have helped, in one way or another, to make 2015 another good year for us.

Thank You.

Dato' Ir. Jaseni Maidinsa 18 April 2016









CEO's Profile



DATO' Ir. JASENI BIN MAIDINSA

aged 58, Malaysian citizen Chief Executive Officer of PBAHB and PBAPP

Dato' Ir. Jaseni Maidinsa was appointed as Chief Executive Officer (CEO) of PBAHB on 1 April 2007. He was redesignated as CEO of PBAPP on 1 March 2015.

Dato' Ir. Jaseni holds a Diploma in Civil Engineering from Universiti Teknologi Malaysia (1979); a BSc. (Hons.) Civil Engineering degree from the University of Glasgow (1984); a Diploma in Management from the Malaysian Institute of Management (1991); and a Masters Degree in Business Administration from Universiti Sains Malaysia (2001). He is a registered Professional Engineer with the Board of Engineers, Malaysia (BEM), and is also a member of the Malaysian Water Association (MWA).

Dato' Ir. Jaseni has been serving in PBAPP, and previously in Pihak Berkuasa Air (PBA), for a total of 30 years. He was the Distribution and Workshop Engineer for Penang Island, PBA Penang (1985 -1987), Consumer Engineer for Penang Island, PBA Penang (1987 - 1991), Senior Executive Engineer for Planning and Development for Penang Island, PBA Penang (1991 - 2001), Development Manager, PBAPP (2001 - 2007) and General Manager, PBAPP (2007 - 2015).

He holds 226,400 ordinary shares in the Company but does not hold any directorship in other public company. He has no family relationship with any Companies' Directors and / or substantial shareholders of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

Penang State Water Supply Infrastructure





prporate Information

PBA GROUP OF COMPANIES



PBA Holdings Bhd (515119-U)

BOARD OF DIRECTORS

- YAB Tuan Lim Guan Eng (Non-Executive Chairman)
- YB Dato' Haji Mohd Rashid **Bin Hasnon**

(Non-Executive Deputy Chairman)

YB Prof. Dr. P. Ramasamy A/L Palanisamy

(Non-Executive Director)

- YB Dato' Seri Farizan Bin Darus (Non-Executive Director)
- YB Dato' Haji Mokhtar Bin Mohd Jait

(Non-Executive Director)

 YB Dato' Haji Abdul Malik Bin Abul Kassim

(Non-Executive Director)

- YB Tuan Lim Hock Seng (Non-Executive Director)
- **YB Tuan Phee Boon Poh** (Non-Executive Director)
- · YB Tuan Chow Kon Yeow (Non-Executive Director)
- YBhg. Dato' Agatha Foo Tet Sin (Senior Independent Non-Executive Director)
- **Puan Mary Geraldine Phipps** (Independent Non-Executive Director)
- YBhq. Dato' Athi Isvar A/L Athi Nahappan (Independent Non-Executive Director)

YBhg. Dato' Seri Nazir Ariff **Bin Mushir Ariff**

(Independent Non-Executive Director)

Tuan Brian Tan Guan Hooi (Independent Non-Executive Director)



Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (475961-X)

BOARD OF DIRECTORS

- YAB Tuan Lim Guan Eng (Non-Executive Chairman)
- YB Dato' Haji Mohd Rashid **Bin Hasnon**

(Non-Executive Deputy Chairman)

YB Prof. Dr. P. Ramasamy A/L Palanisamy

(Non-Executive Director)

- YB Dato' Seri Farizan Bin Darus (Non-Executive Director)
- YB Dato' Haji Mokhtar Bin Mohd Jait

(Non-Executive Director)

- YB Tuan Lim Hock Seng (Non-Executive Director)
- YB Tuan Lau Keng Ee (Non-Executive Director)
- YB Tuan Ng Wei Aik (Non-Executive Director)
- **YB Tuan Sim Tze Tzin** (Non-Executive Director)
- YB Tuan Teh Yee Cheu (Non-Executive Director)



PBA Resources Sdn Bhd (799680-A)

BOARD OF DIRECTORS

- YBhg. Dato' Ir. Jaseni **Bin Maidinsa** (Company Director)
- **Encik Raffig Raveendran** Bin Abdullah (Company Director)



Island Springwater Sdn Bhd (795967-A)

BOARD OF DIRECTORS

- YBhg. Dato' Ir. Jaseni **Bin Maidinsa** (Company Director)
- **Puan Joyce Lee Suan Imm** (Company Director)

COMPANY SECRETARY

Thum Sook Fun (MIA 24701)

REGISTERED OFFICE AND BUSINESS ADDRESS

32nd Floor, Komtar, 10000 Penang

Tel : (604) 200 6700 Fax : (604) 200 6704 Website : www.pbahb.com.my

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd. Suite 18.05, MWE Plaza, No. 8, Lebuh Farquhar, 10200 Penang

Tel : (604) 263 1966 Fax : (604) 262 8544

AUDITORS

Grant Thornton Chartered Accountants

PRINCIPAL BANKER

Malayan Banking Berhad, Penang

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (Trading Services) Stock Name : PBA Stock Code : 5041



Corporate Structure





100% water supply in Penang



26% overseas projects



100% management company

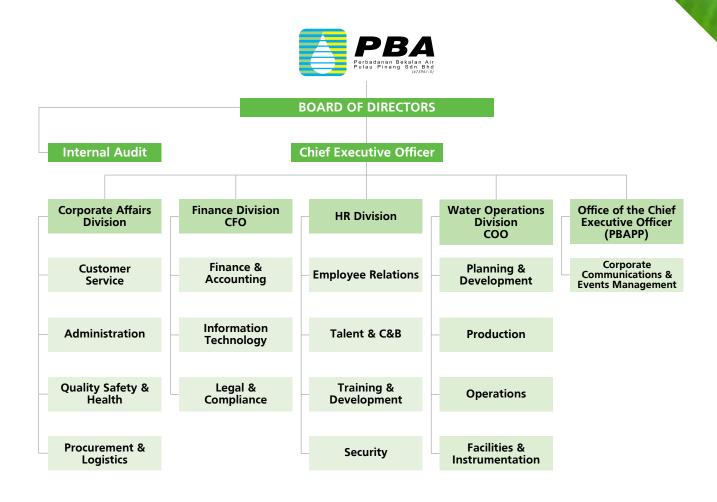


100% water bottling plant

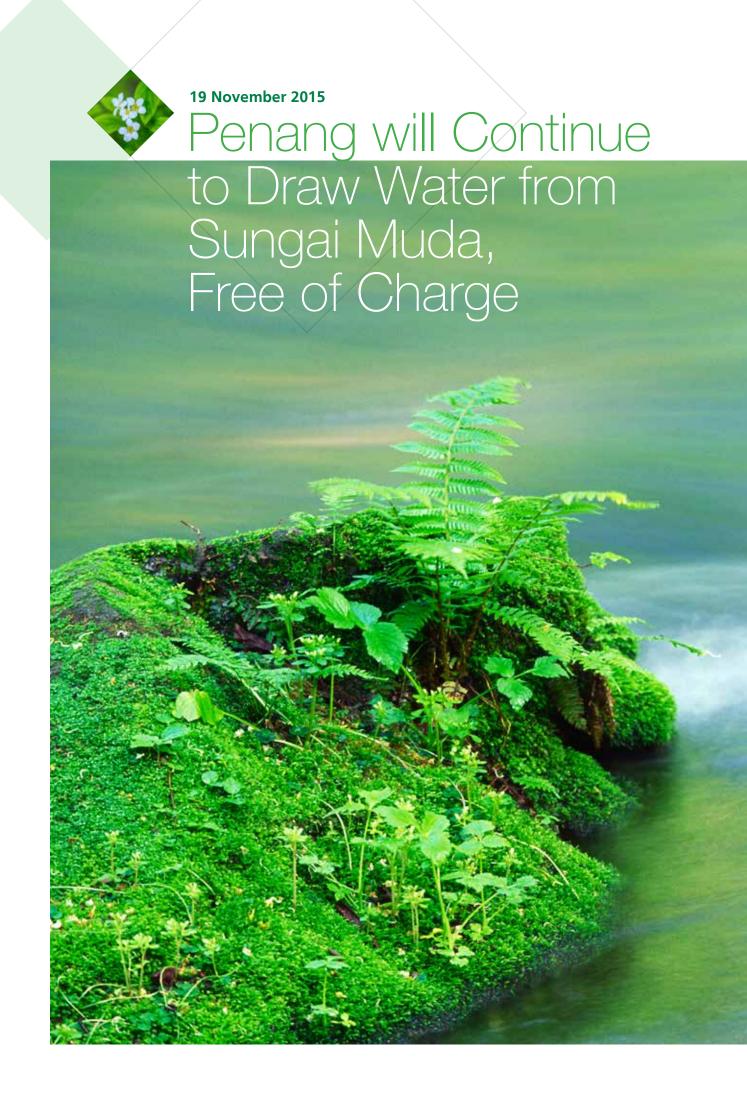


water supply training

PBAPP Organisation Structure







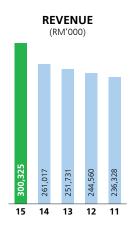


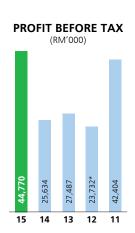


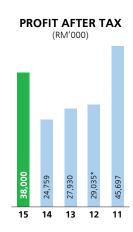
Financial Highlights

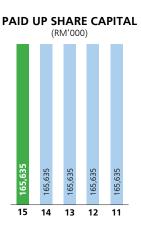
		Financial Year Ended 31 December				
	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	
REVENUE	236,328	244,560	251,731	261,017	300,325	
PROFIT BEFORE TAX	42,404	23,732*	27,487	25,634	44,770	
PROFIT AFTER TAX	45,697	29,035*	27,930	24,759	38,000	
PAID UP SHARE CAPITAL	165,635	165,635	165,635	165,635	165,635	
SHAREHOLDERS' EQUITY	680,979	699,073*	716,748	727,551	753,763	
EARNINGS PER SHARE - BASIC (sen)	13.79	8.76*	8.44	7.48	11.48	
NET TANGIBLE ASSETS PER SHARE (RM)	2.06	2.11	2.16	2.20	2.28	

^{*} as per restated

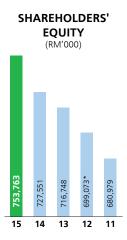


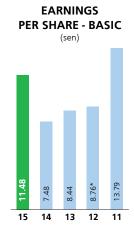


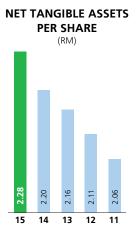












Financial Calendar 2015

FINANCIAL YEAR ENDED

15th Annual General Meeting

Announcement of interim results

- * First Quarter
- * Second Quarter
- * Third Quarter
- * Fourth Quarter

Dividends paid and payable in 2015

Final - 31 December 2014

- * Declaration
- * Entitlement date
- * Payment date

Interim - 31 December 2015

- * Declaration
- * Entitlement date
- * Payment date

Final - 31 December 2015

- * Declaration
- * Entitlement date
- * Payment date (if approved by shareholders at the forthcoming 16th Annual General Meeting)

31 DECEMBER 2015

28 May 2015

28 May 2015

28 August 2015

27 November 2015

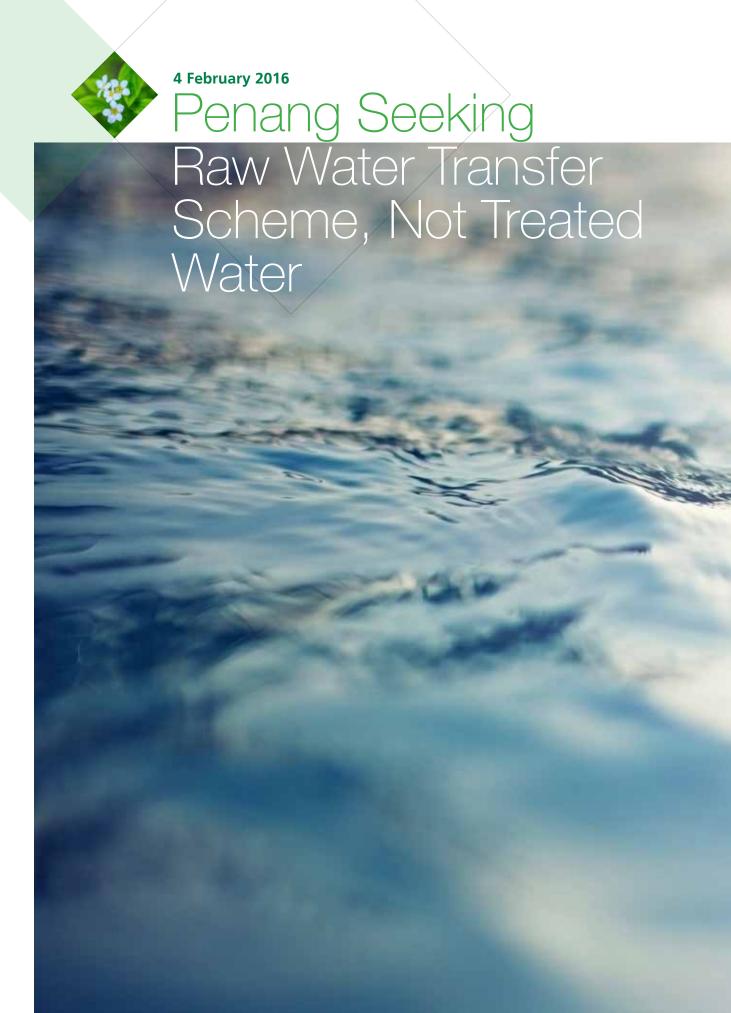
23 February 2016

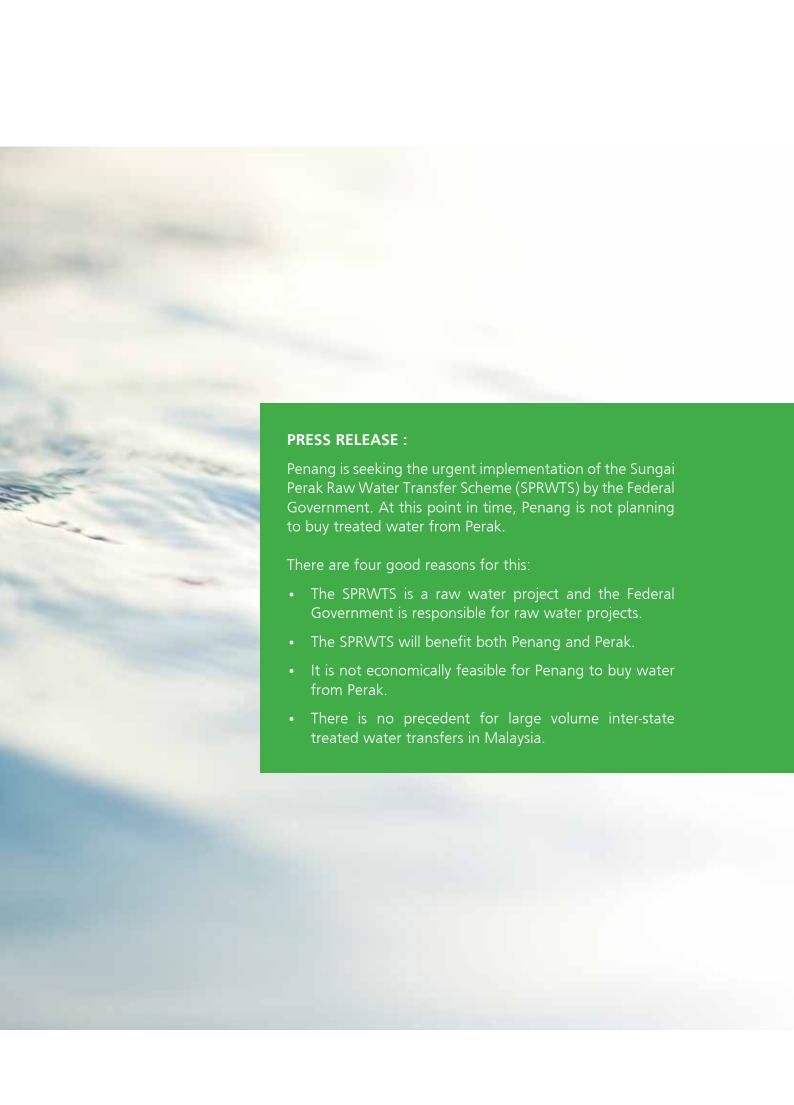
Final Single Tier Dividend of 4% 3 July 2015 24 July 2015

First Interim Single Tier Dividend of 3.5% 18 December 2015 8 January 2016

Proposed Final Single Tier Dividend of 4% 30 June 2016 22 July 2016









Directors' Profile



YAB TUAN LIM GUAN ENG

aged 55, a Malaysian citizen, is the Non-Executive Chairman of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 18 April 2008.

Presently, YAB Tuan Lim Guan Eng is the Chief Minister of Penang. He is also the Chairman of Perbadanan Bekalan Air Pulau Pinang Sdn Bhd, Penang Development Corporation, Invest-In-Penang Berhad and Penang Global Tourism Sdn Bhd.

He received his tertiary education in Australia, where he earned his Bachelor Degree in Economics majoring in both Economics and Accounting from Monash University.

He started his career as a Senior Credit Executive at a foreign bank after his graduation before he got involved in politics. He was first elected as a Member of Parliament after winning the Kota Melaka Parliamentary seat in 1986 and subsequently was re-elected in 1990 and 1995. He was appointed as the Socialist Youth Chairman of Democratic Action Party ("DAP") in 1989 and was elected to that post in 1992.

In 1995, he was elected as the DAP Deputy Secretary-General before being elected as the party Secretary-General in 2004, and has held the position since. He was also selected by Asiaweek as one of the key Young Asian Leaders to shape Asia's destiny in the new millenium in 1999.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended all five (5) Board Meetings held in the financial year ended 31 December 2015.





YB DATO' HAJI MOHD RASHID BIN HASNON

aged 56, a Malaysian citizen, is the Non-Executive Deputy Chairman of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 1 July 2013.

Presently, YB Dato' Haji Mohd Rashid Bin Hasnon is the Deputy Chief Minister I of Penang and also sits on the Boards of Invest-In-Penang Berhad and Penang Development Corporation.

He had his secondary education at Muar High School and the Royal Military College of Sungai Besi. He continued his studies at A-Level at Soumpthon Technical College, United Kingdom and obtained a Bachelor of Control Engineering from the University of Sheffield, United Kingdom. He also obtained a Master of Business Administration (MBA) from Universiti Kebangsaan Malaysia in 1990.

He started his career as an engineer in PERNAS NEC in 1984. In 1987, he joined Motorola as Head of Planning Department and subsequently as the Manager of ASE Electronics in 1991.

He was elected as Chairman of Personal Managers Group in the Bayan Lepas Free Industrial Zone before he established his own company in providing skills training and ISO audit services and holding the position as Managing Director of the Company. YB Dato' Haji Mohd Rashid was elected as YDP JIM, State of Penang since 1990 before his involvement in politics as Deputy Chairman of GERAK Penang.

He was a founder of the Parti Keadilan Nasional (PKN) Pulau Pinang which was established in 2001. He acts as orator on behalf of PKN at Congress Parti Keadilan Nasional. He was the first appointed treasurer in Parti Keadilan Rakyat ("PKR") Pulau Pinang. In 2004, he was elected as Vice Chairman of PKR Bayan Baru Branch and subsequently promoted as Deputy Chief of the party in 2010. He was elected as the member of the Penang State Legislative Assembly in the general election on 5 May 2013.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended Four (4) out of Five (5) Board Meetings held in the financial year ended 31 December 2015.



YB PROF. DR. P. RAMASAMY A/L PALANISAMY

aged 67, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 18 April 2008. He is the Chairman of Nomination and Remuneration Committee of the Company.

Presently, YB Prof. Dr. P. Ramasamy is the Deputy Chief Minister II of Penang and a Member of State Assembly, Perai Constituency, Penang State. He also sits on the Boards of Invest-In-Penang Berhad and other Penang State Government agencies.

He obtained a Bachelor of Arts in Political Science from Indiana University, U.S.A., in 1977. He graduated from McGill University, Canada, in Masters in Political Science and subsequently from University of Malaya with a Doctor of Philosophy (Ph.D.) in Political Science in the year 1991.

He joined Universiti Kebangsaan Malaysia ("UKM") in 1981. He was promoted to Associate Professor in 1993 and Professor in 1998. Following his retirement in 2005, he joined the Institute of Southeast Asian Studies, Singapore.

He served as a Consultant for a number of Peace Building Organisations. In 2008, he was elected to the Democratic Action Party's ("DAP") Central Executive Committee ("CEC") and subsequently appointed as Deputy Secretary General of the party.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended all five (5) Board Meetings held in the financial year ended 31 December 2015.





YB DATO' SERI FARIZAN BIN DARUS

aged 56, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 9 June 2009.

Presently, he is the State Secretary of Penang and was appointed to this position on 16 March 2011. He holds a B.A. (Hons.) from Universiti Malaya in year 1982 and Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN), Malaysia in 1983. He also obtained his M.Sc. (Human Resource Development) from Universiti Putra Malaysia in 2004.

He started his career at Jabatan Telekom Malaysia in 1982 before joining the Administrative and Diplomatic Service of Malaysia in 1984 as the Assistant Secretary of the Public Servies Commission. He was then appointed as the Assistant District Officer (Land Administrator) in the Central Seberang Perai District and Land Office in 1989 before being transferred to the North Seberang Perai District and Land Office in 1994. In 1998, he was promoted as the Principal Assistant Director, Procurement Division of the Ministry of Finance and subsequently held the position of Principal Assistant District Officer, North Seberang Perai District and Land Office in 2000. From 2002 till 2004, he underwent a Master's degree in Human Resource Development at Universiti Putra Malaysia.

Upon completion of his studies, he helmed the South Seberang Perai District and Land Office as the District Officer and also assumed the position of Councillor of Seberang Perai Municipal Council. In 2006, he was the Director of Penang Domestic Trade and Consumer Affairs Department before being promoted as the President of the Seberang Perai Municipal Council in 2007 and as Penang State Financial Officer in June 2009. He assumed the position of Penang State Secretary in March 2011. He is a Director of Penang Development Corporation, Invest-In-Penang Berhad and also Board Member of the Penang Hill Corporation.

He is deemed to be a substantial shareholder of PBAHB by virtue of his position as the Penang State Secretary. He does not have any conflicts of interest with the Company and has had no records of any previous conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended four (4) out of five (5) Board Meetings held in the financial year ended 31 December 2015.

41



YB DATO' HAJI MOKHTAR BIN MOHD JAIT

aged 60, a Malaysian citizen, is a Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 22 March 2011. He is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Company.

He obtained a Bachelor of Agribusiness and Diploma in Animal Health and Husbandry from University Pertanian Malaysia. Subsequently, he obtained a Diploma in Public Administration from INTAN Bukit Kiara.

He started his career as a Veterinary Assistant at the Department of Veterinary Services, Peninsular Malaysia, Kuala Lumpur in 1981. He was Assistant District Officer (Land Management) Seberang Perai Utara, Butterworth in 1989. He has also served as Assistant District Officer, Land Office of Southwest District, Penang in 2001.

He was promoted as Director of the Department of Lands and Mines Selangor, Ministry of Natural Resources and Environment in 2005.

He also served as the District Officer of Northern Seberang Perai District in 2007 and then promoted as the President of Seberang Perai Municipal Council in 2009. On 16 March 2011, he was promoted as the Penang State Financial Officer. He is also a Director of Penang Development Corporation.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended all five (5) Board Meetings held in the financial year ended 31 December 2015.



YB DATO' HAJI ABDUL MALIK BIN ABUL KASSIM

aged 62, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 16 December 2008.

He started his career with a Multi-National Japanese Chemical company and thereafter managed a number of companies including Housing Development, Construction, Construction Material Trading, Electrical Engineering, Food Packing, Multi-National Electronics Co and Travel & Tours.

He also held a Senior Technical Management position in two International Engineering & Construction Companies i.e. Christiani & Nielson, UK and Boskalis International, a Dutch company for construction of Ports and Submarine Engineering works.

His international exposure in the Middle East started with his engagement in Saudi Arabia in 1998 for a year as a Business Development Manager with a Saudi-Malaysian Company in Jeddah and Makkah. He was also involved in a number of International Business Development Projects in the Middle East mainly in Saudi Arabia before being elected as a member of the Penang State Legislative Assembly.

Presently, he is a State Executive Councillor in charge of Religious Affairs, Domestic Trade and Consumer Affairs. He currently also sits on the Boards of Invest-In-Penang Berhad and Penang Development Corporation.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended three (3) out of five (5) Board Meetings held in the financial year ended 31 December 2015.

43



YB TUAN LIM HOCK SENG

aged 67, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 16 April 2009.

Presently, he is a member of the Penang State Legislative Assembly and also is the State Executive Councillor in charge of Public Works, Public Utilities and Transportation after the 2013 general election. He obtained his Malaysia Certificate of Education in 1967. He has more than 28 years of vast experience in the political field after the completion of his high school.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended four (4) out of five (5) Board Meetings held in the financial year ended 31 December 2015.





YB TUAN PHEE BOON POH

aged 64, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 23 July 2014.

He studied in Sekolah Menengah St. Mark's Butterworth, Penang before starting his career as a Production Supervisor from 1970 to 1980. He then joined his family's business - Phee Family Group of Companies (Packaging Industry and Properties) until 2008. From 1998 to March 2008, he was the Chief Executive Officer.

The peak of his career started when he was inaugurated as the Penang State Assemblyman for Bagan Jermal in 1990 - 1995. In 2004, he was elected as State Assemblyman for Sungai Puyu and elected as the Leader of the Opposition State Assemblymen. He was subsequently re-elected as State Assemblyman in 2008 and 2013.

Presently he is the Penang Executive Councillor for Welfare & Caring Society and Environment. He also sits on the Board of International Environment Technologies Centre under UNEP (United Nations Environment Programme).

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended all five (5) Board Meetings in the financial year ended 31 December 2015.

45



YB TUAN CHOW KON YEOW

aged 57, a Malaysian citizen, is a Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 22 February 2016.

He graduated from Universiti Sains Malaysia ("USM") in 1984 with Bachelor of Social Science (Hons.) degree.

He started his political career in 1986 and was first elected State Assemblyman for Pengkalan Kota, Penang in 1990. He became a Member of Parliament for Tanjong, Penang from 1999 till 2013. Since 2008, he has been appointed as State Executive Councillor for Local Government and Traffic Management. In 2013, he was re-appointed as Penang Executive Councillor and with a new portfolio of Flood Mitigation.

Currently, he is the Penang State Executive Councillor for Local Government, Traffic Management and Flood Mitigation. He is also the State Assemblyman for Padang Kota, Penang.

He is a director of Penang Development Corporation as well as the Chairman of PDC Telecommunication Services Sdn. Bhd.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He did not attend any of the Board Meetings of the Company held during the financial year ended 31 December 2015 as his appointment to the Board was made subsequent to the said financial year end.

PBAHB Directors' Profile (Cont'd)



YBHG. DATO' AGATHA FOO TET SIN

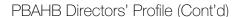
aged 56, a Malaysian citizen, is a Senior Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). She was appointed to the Board of Directors of PBAHB on 9 June 2009. She is also a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Company.

She obtained her degree in law from the Australian National University and commenced her legal career as an Advocate and Solicitor in Canberra in 1988. She was called to the Malaysian Bar in 1990 and has more than 20 years of legal experience. She has served in the Investigating Tribunal Disciplinary Committee Panel of the Advocates and Solicitors' Disciplinary Board, the Human Rights Committee of the Malaysian Bar Council, the Legal Aid Committee and several other committees of social interest groups and religious organisations. She is presently a member of the Board of Directors in Mount Miriam Cancer Hospital, Penang.

She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any other Director and/or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years, other than traffic offences, if any.

She has attended four (4) out of five (5) Board Meetings held in the financial year ended 31 December 2015.

◆ 47 **◆**





YBHG. DATO' ATHI ISVAR A/L ATHI NAHAPPAN

aged 66, a Malaysian citizen, is an Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 9 June 2009. He is a member of the Nomination and Remuneration Committee of the Company.

Dato' Isvar completed his tertiary education in the United Kingdom and is a qualified lawyer by profession. He also completed a Merchant Banker's Graduate Training Programme in 1975. His career spanning 36 years includes experience in commercial and investment banking, corporate and banking legal practice, general management as Executive Chairman of a listed company, private equity and investment management. He started his career in London with Arbuthnot Latham Merchant Bank in 1974 before being seconded to its associate, Chartered Merchant Bank Berhad in Kuala Lumpur. In 1976, he joined Bank of America in their corporate lending department. In 1980, he was called to the Malaysian Bar and established a specialist corporate and banking practice. In 1985, he took control of a listed company on the London Stock Exchange and subsequently developed operations in Malaysia, Singapore, Australia, India, Indonesia and Hong Kong.

In 1995, he sold his interests in the Group and retired as Executive Chairman of the company. He currently manages and is a trustee for his family business interests which include investments in property, public securities and private equity investments in Australia, India, Malaysia, Singapore and the United Kingdom.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended four (4) out of five (5) Board Meetings held in the financial year ended 31 December 2015.

PBAHB Directors' Profile (Cont'd)



YBHG. DATO' SERI NAZIR ARIFF BIN MUSHIR ARIFF

aged 70, a Malaysian citizen, is an Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 26 September 2013. He is a member of the Audit and Risk Management Committee and Nominating and Remuneration Committee of the Company.

He is an Accountant by training, specializing in the field of Corporate Management and Corporate Strategic Management. He is a Fellow of the British Institute of Management. He attended management development programmes in the United Kingdom, United States of America and Manila. He also received intensive training at the London Metals Exchange in London.

Currently, Dato' Seri Nazir is the Chairman and Executive Director of Aspen Vision Development Sdn. Bhd. and the Executive Director of Escoy Holdings Berhad. He is an Independent Non-Executive Director of Texchem Resources Bhd. ("TRB") and also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of TRB. He is also a director of Penang Institute, Sogo (KL) Sdn. Bhd. and Thailand Smelting & Refining Co. Ltd.. He was recently appointed as a select committee member of the Penang Future Foundation and a member of the Penang State Museum Board.

He was the Chairman of the Malaysian International Chamber of Commerce and Industry (Penang and the Northern Branch) from 1988 to 2013 and is involved with many voluntary organisations in the State of Penang. He is the past President of Majlis Dato' – Dato' Pulau Pinang, past President and founder member of Penang Heritage Trust and is currently a trustee of WWF-Malaysia. He was elected as President of the Football Association of Penang in August 2013.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and/or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

He has attended all five (5) Board Meetings held in the financial year ended 31 December 2015.



PUAN MARY GERALDINE PHIPPS

aged 67, a Malaysian citizen, is an Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). She was appointed to the Board of Directors of PBAHB on 21 August 2014. She is the Chairman of the Audit and Risk Management Committee.

She is a member of the Malaysian Institute of Accountants (MIA) and a fellow of the Chartered Tax Institute of Malaysia (CTIM).

In 1982, she was made a partner of KPMG, specializing in taxation. In 1990, she was appointed as Managing Partner of the Penang practice of KPMG, a position held until her retirement on 31 December 2004. During this time, she was also a Director of KPMG Tax Services Sdn Bhd. Her expertise is in taxation and experience in tax advisory and consultancy services covered a diversified range of industries. She was a Tax/Client Partner for multinational clients of KPMG's international offices with manufacturing facilities in Penang. She currently sits on the Boards of Oriental Holdings Berhad and SLP Resources Berhad.

She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any other Director and/or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years, other than traffic offences, if any.

She has attended four (4) out of five (5) Board Meetings held in the financial year ended 31 December 2015.



TUAN BRIAN TAN GUAN HOOF

aged 46, a Malaysian citizen, is an Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 13 October 2015. He is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Company.

He is a Chartered Accountant registered with the Malaysian Institute of Accountants, as well as a Certified Practicing Accountant registered with the CPA Australia.

He is currently attached to Texchem Resources Bhd as the President and Group Chief Executive Officer. Prior to joining Texchem Group, he was chosen to represent Malaysia in the Fellowship Program of Nikko Securities Co., Ltd where he underwent a training program in Japan. Upon his return, in 1993 he was attached to KPMG for a short stint before joining Texchem Corporation as a Group Accountant. In 1995, he was transferred to Fumakilla Malaysia Berhad (a member of Texchem Group) where he assumed the position of Business Manager and he moved up the ranks rapidly to the position of President and Chief Executive Officer of Fumakilla Malaysia Berhad in April 2004.

In 2007, he was transferred to lead the Food Division of Texchem Group where he was appointed as the President and Chief Executive Officer of Texchem Food Sdn Bhd.

In April 2012, he was reappointed as the President & Group Chief Executive Officer of the ultimate holding company of Texchem Group, Texchem Resources Bhd.

Texchem Group has operations spanning across the ASEAN region including China and Japan and he is very familiar with managing businesses across these regions.

Outside his work, he is active in the field of education and he has served in the Advisory Panel of Curriculum for the Management School of University of Science Malaysia from years 2003 to 2006. In 2011, he was awarded the prestigious Lifetime Membership Award by the Asian Academy of Management - University of Science Malaysia in recognition for his contribution to the field of academic development at the University. In the same year, he was appointed as the External Examiner from the Industry for the Graduate School of Business (MBA School), University of Science Malaysia. In 2013, he was appointed to the Panel of Advisors.

He does not hold any shares in the Company or its subsidiaries, has no family relationship with any other Director and / or substantial shareholder of the Company, no conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years other than traffic offences, if any.

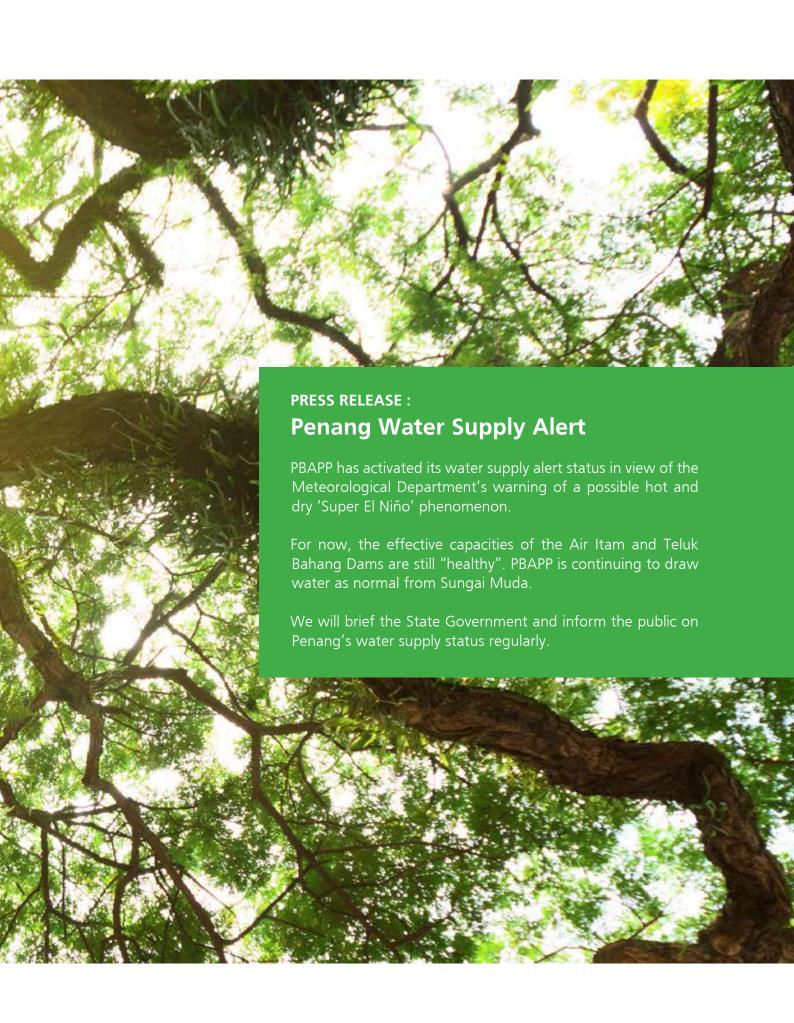
He has attended one (1) Board Meeting held during his tenure in office for the financial year ended 31 December 2015.

◆ 51 ◆



4 February 2016 Super El Nino







Corporate Calendar 2015





5 January 2015

Kelantan Flood Relief Mission

A total of 12 members from the Water Regiment 60th RAJD (AW) Squadron Penang were involved in a Flood Relief Mission in Kelantan from 5 - 11 January 2015.

The team assisted in providing clean water and facilitated repair work at the water treatment plants belonging to Air Kelantan Sdn Bhd (AKSB) that were damaged by the floods. The Penang Squadron members also assisted the local residents in cleaning up and repairing their houses.

4 February 2016

Auxiliary Police & 60th Water Regiment "Wearing of the Ranks" **Parade Ceremony**

20 Auxiliary Police personnel and 20 members of the Rejimen Ke-60 Pakar Pengendalian Air (RAJD) PBAHB were conferred their ranks at The View, Air Itam Dam on February 4, 2016. PBAHB Chief Executive Officer, Dato' Ir. Jaseni Maidinsa witnessed the ceremony. Currently, there are 108 members in PBAHB's Auxiliary Police force, whose main duties are to ensure the security of assets and areas under PBAHB.

The RAJD comprises of 2 Officers and 61 personnel and their scope of duties are wider and beyond just areas under PBAHB. The team can be deployed for missions anywhere when deemed necessary. In the past few years, besides Penang, they have been on missions to Kelantan and Perak.













29 January 2015

TSS and PBAPP Complete 1st NRW Training Course For 11 Water Organisations.

A total of 18 personnel from
11 Malaysian water supply
organisations received certificates
after completing a non-revenue
water (NRW) training course.
They received their certificates
from En. Mohd. Hizan bin
Kamaruzaman, Director of the
Water Supply Department,
Ministry of Energy, Green
Technology and Water (KeTTHA).
PBAHB & PBAPP Chief Executive
Officer, Dato' Ir. Jaseni Maidinsa
was also present at the ceremony.

19 March 2015

PBA Holdings Bhd will provide water supply management training services in Kelantan soon.

PBA Resources Sdn Bhd (PBAR), a subsidiary of PBA Holdings, signed a Memorandum of Understanding (MoU) with Darul Digital Multimedia Solutions Sdn Bhd (DDMS), a subsidiary of Perbadanan Menteri Besar Kelantan. Under the MoU, PBAR will collaborate with DDMS to "establish and promote water supply management competency enhancement training programmes in the East Coast region." PBAHB & PBAPP Chief Executive Officer, Dato' Ir. Jaseni Maidinsa signed on behalf of PBAR.





1 April 2015

Penang New Water Tariffs Implemented To Reduce Water Consumption and Avoid Rationing

The main objective of the water tariff review was to facilitate better water demand management by reducing water consumption so as to avoid water rationing. This review was in line with the Penang State Government and Perbadanan Bekalan Air Pulau Pinang Sdn Bhd's (PBAPP's) mission to "avoid water rationing at all costs".

26 April 2015

World Water Day 2015 at the Air Itam Dam, Penang

For the first time, the World Water Day celebrations was held at Air Itam Dam. The annual event was organised by Penang Water Watch, with support from PBAPP.

The event attracted children and adults alike, with games and exhibition booths promoting water conservation and green living. The event was attended by Penang Chief Minister YAB Tuan Lim Guan Eng and Dato' Ir. Jaseni Maidinsa.













28 May 2015

PBAHB 15th Annual General Meeting

About 700 shareholders and proxy holders attended the AGM held at Hotel Jen.

The meeting was presided by YAB Tuan Lim Guan Eng, Penang Chief Minister and PBAHB Chairman. Twelve resolutions were passed during the AGM.

13-14 June 2015

Penang Green Carnival 2015

The Penang Green Carnival 2015 was held from 13 - 14 June 2015 at First Avenue Shopping Mall. The event was officiated by Penang Chief Minister, YAB Tuan Lim Guan Eng. With the theme "Make Our Food Last", the carnival focused on food and how our lifestyle choices can affect the food system and environment.

PBAPP's booth theme was 'SAVE WATER, USE IT WISELY', and showcased Water Saving Devices and Water Saving Tips.











31 August 2015

Merdeka Parade 2015

PBAPP participated in the 58th Merdeka Parade held in Bandar Perda, Bukit Mertajam. 65 staff from various departments participated in the parade, headed by En. Mohd Zulkifli Abd Hamid from the Human Resources and Security Division.

Commitment and teamwork from all participants contributed to their success when PBAPP was placed second for the "Private Sector" category.



12 September 2015

PBAPP Long Service Award

The PBAPP Long Service Award ceremony was held in conjunction with the group's appreciation dinner at The Light Hotel. A total of 26 staff were recognised for their 30 years' service while 28 staff received awards for 35 years' service. The awards were given out by YAB Tuan Lim Guan Eng, Chief Minister of Penang and PBAHB Chairman, together with Dato' Ir. Jaseni Maidinsa, Chief Executive Officer, PBAHB & PBAPP.















15 October 2015

Visit by Syarikat Air Negeri Sembilan Sdn Bhd

28 staff from Syarikat Air Negeri Sembilan Sdn Bhd (SAINS), headed by its General Manager, Mr. Hj. Zulkifli Ibrahim paid a courtesy visit to PBAPP. During their visit, the delegation was briefed on the Application of the New Water Supply, NRW Management, Customer Complaint System and Water Billing System by Chief Operating Officer, Ir. Chong Meng Choon. They also visited the IT Data Centre and was briefed on the GIS system.

3 November 2015

Emergency Drill at Sungai Dua Water Treatment Plant

About 300 personnel from PBAPP, the Royal Malaysian Police, Fire and Rescue Department, Civil Defence Department and Health Services Department participated in an emergency drill at the Sungai Dua Water Treatment Plant. The drill was witnessed by State Executive Councillor for Public Works, Utilities and Transportation, YB Mr Lim Hock Seng and Sungai Dua State Assemblyman YB En Muhamad Yusof bin Mohd. Noor. The emergency drill was held to evaluate PBAPP's emergency response to possible mishaps at the plant.















24 November 2015

CAFEO Awards 2015

PBAPP received two awards at the 33rd Conference of the ASEAN Federation of Engineering Organisations (CAFEO). The 'ASEAN Outstanding Engineering Achievement Project Award' (2015) was conferred upon PBAPP for its engineering achievements at the Sungai Dua Water Treatment Plant (Sungai Dua WTP) in Seberang Perai.

The second AFEO award is the "ASEAN Outstanding Engineering Achievement Award" which was conferred on Dato' Ir. Jaseni Maidinsa for his success as an Outstanding Engineer and Industry leader who has devoted constantly to the Society and Community in Malaysia.

14 January 2016

PBAPP Collective Agreement Signing

Kesatuan Kakitangan PBAPP dan Kesatuan Pekerja-Pekerja PBAPP signed the 6th Collective Agreement (2015-2017) with the PBAPP Management on 14 January 2016.

Signing on behalf of PBAPP was Chief Executive Officer, Dato' Ir. Jaseni Maidinsa and Encik Raffig Raveendran Abdullah, Head of Human Resource and Security Division. YAB Tuan Lim Guan Eng, Penang Chief Minister and PBAPP Chairman, witnessed the signing ceremony.













2 March 2016

SPAN Meeting with Water Operator CEOs & Directors -Site Visit To Mengkuang Dam Expansion Project & PWSA

In conjunction with SPAN's meeting with the Water Operator CEOs and Directors in Penang, PBAPP organised a special visit to the Mengkuang Dam Expansion Project Site and to Penang Water Services Academy (PWSA).

At Mengkuang Dam, they were briefed on the dam expansion plans and taken on a tour of the work in progress. While at PWSA, they were briefed on PWSA's role as a specialised water industry training company.

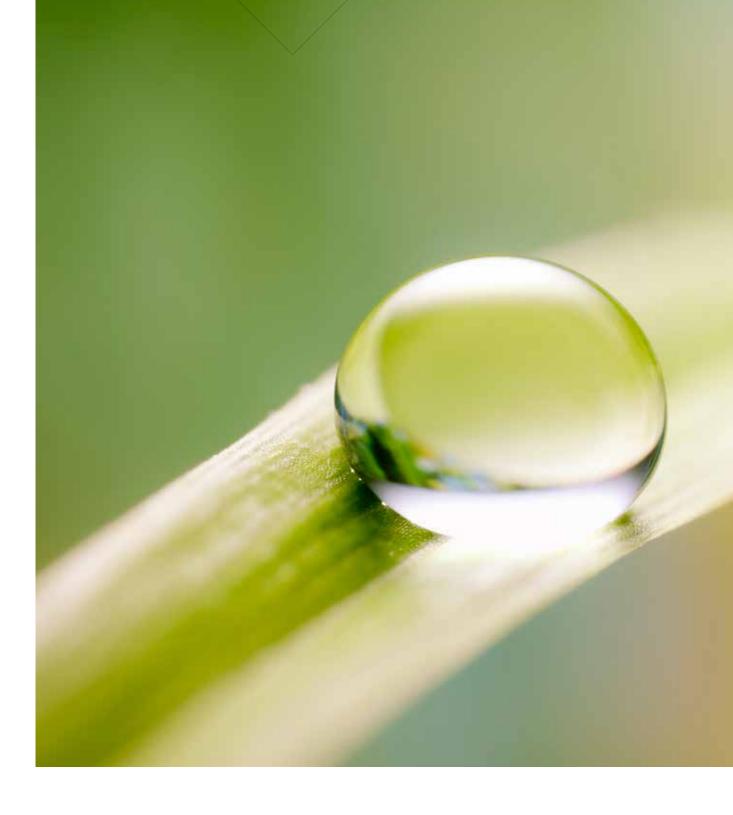


16 March 2016



Stay Cool and

Save Water: Penang Not in the Danger Zone



PRESS RELEASE:

There is no immediate danger of a water crisis or water rationing here yet. Since the 4th quarter 2015, PBAPP has been implementing programmes to avoid rationing in this 2016 'Super El Niño' season.

PBAPP would like to advise all water consumers in Penang to do two basic and simple things with immediate effect:

- Avoid using a hose as far as possible to carry out cleaning activities.
- Reduce the frequency of cleaning vehicles. Avoid using a hose at all costs.

For more water saving tips, please visit www.pba.com.my



Corporate Social Responsibility 2015













PROVIDING CONTINOUS AND GOOD WATER SUPPLY COVERAGE TO PENANG CONSUMERS

The main corporate social responsibility (CSR) for the PBAHB Group of Companies and our main Key Performance Indicator (KPI) is to provide continuous and good water supply to Penang consumers. In 2015, Penang's population was 1.663 million and we achieved 100% urban water supply coverage and 99.7% rural water supply coverage.

In 2015, there was a slight decrease in water consumption at 812.8 million litres per day as compared to 813.42 million liters per day in 2014. On 1st April 2015, the New Penang Water Tariffs were implemented, which was aimed at reducing water consumption and to avoid water rationing. Even with the new water tariffs, our domestic water tariffs for consumption of up to 35,000 liters per month are still the lowest in Malaysia. The water tariff review is in line with the Penang State Government's intention to turn Penang into a "Green State" and PBAPP's mission to continue supplying water to as many Penang residents as possible every day, especially those in the lower income group.

SUPPORT FOR THE NEEDY AND RELIGIOUS INSTITUTIONS

For the benefit of very low-income households in Penang, PBAPP has been providing tariff rebates and "interest-free loans" for water supply connections.

Under the "Kampung Loans" programme, 50 households received interest-free loans totaling RM72,625.40 from PBAPP for water connections in 2015. The maximum income of these households was RM1,000 per month and they were eligible for interest-free loans of up to RM1,500 each, payable by installments via water bills. PBAPP also waived all deposits, including trunk mains contributions for these "kampung loan" connections.

Under its tariff rebate programme, PBAPP provided two categories of support to 217 households totaling RM18,881.56 in 2015. The monthly income of these households was not more than RM770 per month. The beneficiaries were recommended by the Penang State Welfare Office or District Offices and endorsed by the State Economic Planning Unit.

For the first category of qualified premises without existing water connections, one free connection was provided from the main pipeline to the premise, to one tap. Needy households who required pipe connections under this category were also given waivers for meter deposits. Normal meter deposits





range between RM50 to RM100, depending on the type and size of building.

For the second category of qualified premises with existing water connections, PBAPP provided a water bill rebate for consumption of up to 60,000 liters every two months (1 cycle).

Apart from the two categories, PBAPP also provide water rebates for Places of Worship since March 2009. In 2015, more than 9,000 places of worship consisting of mosques, surau, churches, Chinese and Hindu temples, were given rebates amounting to RM66,380.00.

HOUSEHOLDS OF EIGHT PERSONS AND MORE GET 60% WCS REBATE

Big households of 8 persons or more can apply for the 60% Water Conservation Surcharge (WCS) rebate since 1 May 2014. Application forms can be obtained from PBAPP's 9 Customer Care Centres. As of 31 December 2015, WCS rebates amounted to RM37,877.10.

KELANTAN FLOOD RELIEF MISSION

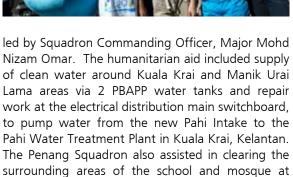
12 members of the Water Regiment 60th RAJD (AW) Squadron Penang were involved in a Flood Relief Mission in Kelantan from 5 - 11 January 2015,











Besides the Regiment, the Persatuan Kebajikan Kakitangan Islam PBAPP and Persatuan Eksekutif also sent other basic essentials to the flood victims. All items were sent to Air Kelantan Sdn. Bhd, who then distributed the items to the flood victims.

Kuala Krai and Manek Urai Lama.



SOUASH DEVELOPMENT IN PENANG

PBA Holdings Bhd Group of Companies has always been very supportive of the development of squash in Penang. It started with the building of the international squash centre, now known as the Nicol David International Squash Centre (NDISC) in 1985. Since then, PBA continues to assist in the maintenance and upgrading works to ensure the centre is in good condition as a training venue and as host to international events.

In 2015, the company sponsored the "PBA Penang International Junior Squash Open Championship". PBAPP, the wholly owned subsidiary of PBAHB, also sponsored Malaysian national women No. 2-ranked squash player, Low Wee Wern.

MAIN SPONSOR FOR THE PENANG FOOTBALL TEAM

As a responsible corporate citizen that aspires to see the development and success of the Penang Football Team, PBAPP was the main sponsor of the Football Association of Penang (FAP) to help finance Penang's football team, also known as the "Penang Panthers".

The team, with a combination of local and imported players, performed superbly in the Malaysian Premier League, finishing as Runners-Up and claimed a ticket to the 2016 Malaysia Super League. It brought back glory to the Penang football team, which was once prominent in the 1970s and 1980s.

SUPPORTING PENANG STATE EVENTS

PBAPP once again played a significant role as a sponsor for the Georgetown Festival 2015, a monthlong celebration of the inscription of George Town on the UNESCO World Heritage Listing. An annual event, the Festival is a feast of theatre, music, dance, film, art, opera, food, fashion, photography, and inspirational talks.

The festival promotes arts and culture and to engage all stakeholders to work collectively with the aim of stimulating Penang's economy and its presence as a tourism destination. The Festival acts as a catalyst to advance art and heritage educations, promotes dialogue, and encourages mutual understanding between urban communities of the past and present.

Other state events supported by PBAPP in 2015 were the Penang Philharmonic Orchestra & Chorus and the Penang Island Jazz Festival.

INTERNATIONAL DRAGONBOAT FESTIVAL

The 36th Penang International Dragonboat Festival was held on 28th – 29th May 2015 at the Teluk Bahang Dam and attracted more than 2,000 participants from Australia, China, Guam, Hong Kong, Indonesia, Macau, Malaysia, Philippines, Singapore and UAE. This event, which is a major state tourism event in Penang's annual sporting and cultural calendar, is an attraction for both local Penangites and tourists.

WATER AWARENESS AND CONSERVATION

As Penang is a water-stressed state with limited raw water resources and unlimited potential for growth, PBAPP promotes wise usage of water in households.

Penang is the first state to introduce Water Conservation Surcharge (WCS) as one of the efforts to curb excessive use of tap water by domestic consumers. It aims to encourage households to reduce their per capita domestic consumption from 293 liters per capita per day in 2014 to 260 liters per person per day as soon as possible.

PBAPP's sustainable water supply programme in 2015 included sponsorship of projects undertaken by Water Watch Penang (WWP) to promote water awareness and conservation. WWP is a nongovernment organisation that carries out projects that help to focus public attention on the urgent need to save water at home.

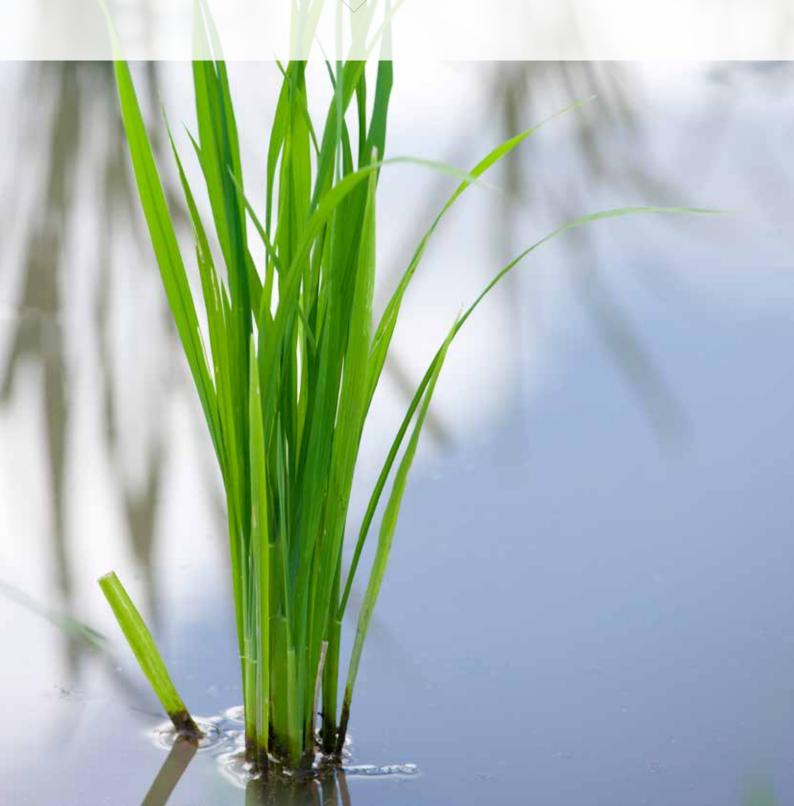
Top on WWP's annual calendar is the commemoration of World Water Day in Penang. Since 1999, PBAPP has been actively supporting and participating in this event that highlights the latest information and trends related to water saving in Penang and all over the world.

PBAPP also took part in water conservation campaigns in schools and the Penang Green Carnival 2015.



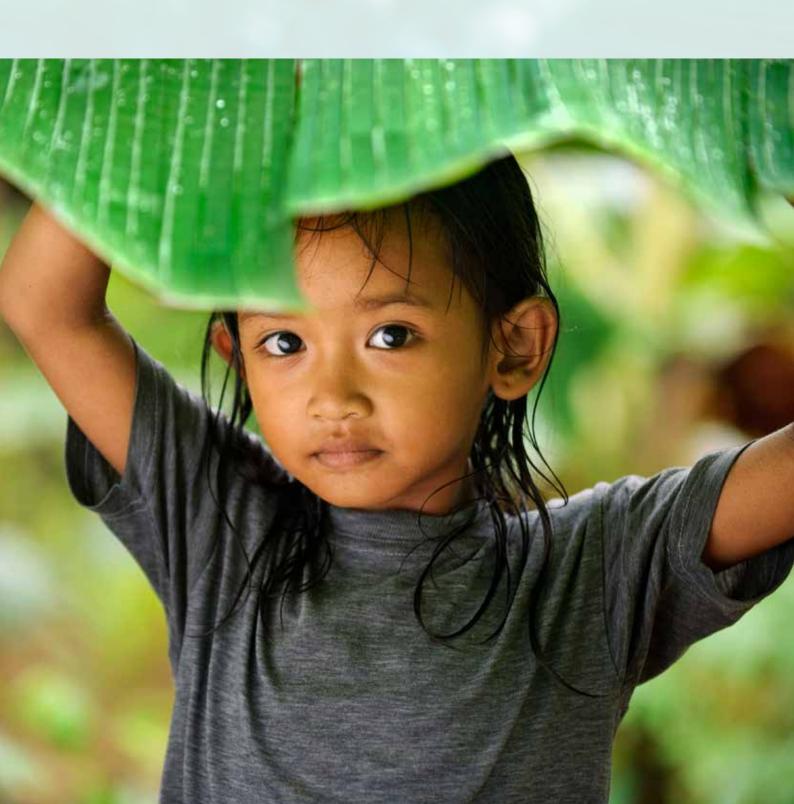
Food & Water

The rice that we eat comes from paddy fields. The rice plant is semi-aquatic and is grown in wet fields that need irrigation. Hence, we always need to balance potable water needs and irrigation needs.



Water and Our Bodies

Babies are born with about 78% of their body mass being water. The water content in adult bodies range between 55% and 60%. Each day, we need to consume 2 - 3 litres of water from food and drinks for our bodies to function normally.





Awards & Certifications



Anugerah Kualiti

Year : 1991

Awarded By: Ketua Pengarah MAMPU



MWA Outstanding Water Award for Management 2001

Year : 2001

Awarded By : The Malaysian Water Association



Anugerah Pejabat Terbaik Negeri Pulau Pinang

Year : 1991

Awarded By : Kerajaan Negeri





Silver Award - OSH Awards

Year: 2001

Awarded By: Malaysian Society for

Occupational Safety & Health



Anugerah Khas Perkhidmatan Awam **Anugerah Pengurusan** Kewangan

Year : 1992

Awarded By : JPA



Gold (Class II) OSH Awards

Year: 2006

Awarded By: Malaysian Society for

Occupational Safety & Health



Anugerah Khas Perkhidmatan Awam **Anugerah Pengurusan** Teknologi Maklumat

Year : 1993

Awarded By: JPA



ISO 9001: 2008 **Quality Management System Certification**

Treatment and Supply of Water with Provision of Customer Services

Obtained Since: 2003



Anugerah Kualiti Ketua Menteri **Pulau Pinang**

Year : 1993

Awarded By: Kerajaan Negeri Pulau Pinang



ISO 14001: 2004 **Environmental Management System Certification**

Management and Treatment of Raw Water and Supply of Potable Water

Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. Tingkat 32 & 33, Menara Komtar, Jalan Penang, 10000 Pulau Pinang, Malaysia

Obtained Since: 2005



OHSAS 18001 : 2007 OHS Management System Certification

Treatment and Supply of Water with a Provision of Customer Services

Obtained Since: 2006



Inaugural KIA Awards Water Services Operator of the year and Efficiency Award

Year : 2013

Awarded By : Ministry of Energy, Green Technology & Water



MS ISO/IEC 17025 : 2005 Competent Testing Laboratory : Chemical

Obtained Since : 2008 Accredited by : Standards Malaysia



Penang Green Office Award

Bayan Baru Customer Care Centre

Year : 2014

Awarded By : Penang Green Council



2011 WaterLinks Award

2011 International Award for Best Water Operator Partnership

Year : 2011

Awarded By : WaterLinks



ISO/IEC 27001 : 2005 &

MS ISO/IEC 27001 : 2007

Information Technology Management System for the Management and Treatment of Potable Water at Sungai Dua Water Treatment Plant

Obtained Since: 2013

Accredited By: SIRIM QAS International

CAFEO 33 Award

ASEAN Outstanding Engineering Achievement Award 2015

- PBAPP Sungai Dua Water Treatment Plant

ASEAN Outstanding Engineering Achievement Award 2015 - Dato' Ir. Jaseni Maidinsa

Year : 2015

Awarded By : ASEAN Federation of

Engineering Organisations



Why Save Water?



- Due to climate change, the amount and frequency of rainfall has become less predictable. The annual January March dry seasons have become more extreme, and other Malaysian states have had to impose water rationing in 2014 and 2015.
- The average daily domestic consumption for every man, woman and child in Penang in 2015 was 291 litres/capita/day (l/c/d). In comparison, the national average was 211 l/c/d in 2014.
- Penang is highly dependent on only one primary raw water resource Sungai Muda, until the Federal Government implements the Sungai Perak Raw Water Transfer Scheme (SPRWTS). And, Sungai Muda is a resource we share with Kedah.

WSDs Water Saving Devices



Water saving devices (WSDs) help you to save water automatically. With WSDs in your home, office or building, you can save water without changing daily lifestyle routines.

With every use, a WSD auto-regulates and optimises water usage while avoiding water wastage. For example, a water-saving tap may save up to 70% per use. Similarly, a dual-flush toilet system enables half-flushes to reduce consumption by 50% or more per flush.

In Penang, PBAPP is promoting the installation of WSDs by all water consumers, in all new and existing buildings, because these WSDs make it easier for everyone to save water in a water-stressed state.

		Category	Types
	1	Taps	Basin, Sink, Shower and Ablution
4	2	Water Closet (WC)	1-piece WC Pan, Close-coupled WC Pan, WC Pan and Cistern and WC Pan & Flush Valves (Half- and Full Flush)
3	3	Urinal equipment	Complete Units
4	4	Shower Heads	Fixed or Pivoting Heads, Tap Assemblies and Other Fixtures
	5	Washing Machines	Front Load and Top Load





YAB TUAN LIM GUAN ENG Non-Executive Chairman



YB DATO' HAJI MOHD RASHID BIN HASNON Non-Executive Deputy Chairman



YB PROF. DR. P. RAMASAMY A/L PALANISAMY Non-Executive Director



YB DATO' SERI FARIZAN BIN DARUS Non-Executive Director



YB DATO' HAJI MOKHTAR BIN MOHD JAIT Non-Executive Director



YB TUAN LIM HOCK SENG Non-Executive Director



YB TUAN LAU KENG EE Non-Executive Director



YB TUAN NG WEI AIK Non-Executive Director



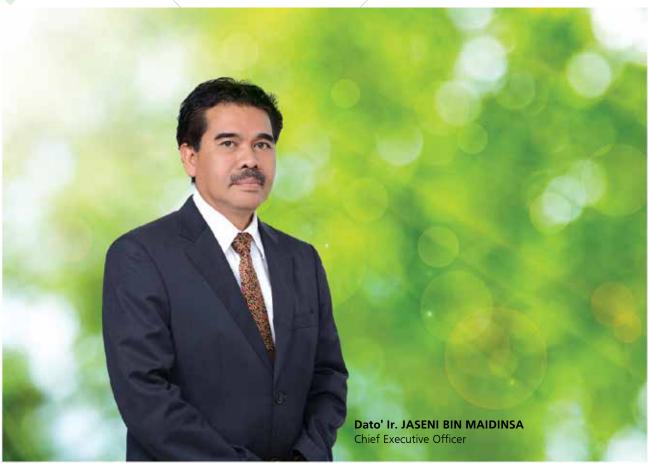
YB TUAN SIM TZE TZIN Non-Executive Director



YB TUAN TEH YEE CHEU Non-Executive Director



PBAHB Top Management

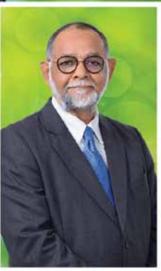




Ir. CHONG MENG CHOON Chief Operating Officer Head of Water Operations Division



DR. MARY ANN HARRIS Chief Financial Officer Head of Finance Division



ENCIK RAFFIQ RAVEENDRAN PUAN JOYCE LEE SUAN IMM BIN ABDULLAH Head of Human Resource Division



Head of Corporate Affairs Division

PBAPP Senior Management Team

Sitting from left to right:

DR. MARY ANN HARRIS

Chief Financial Officer Head of Finance Division

DATO' Ir. JASENI BIN MAIDINSA

Chief Executive Officer

ENCIK RAFFIQ RAVEENDRAN BIN ABDULLAH

Head of Human Resource Division

Ir. CHONG MENG CHOON

Chief Operating Officer Head of Water Operations Division Standing from left to right:

PUAN MARIAM BINTI ABDUL KADIR

Head of Department, Production

ENCIK MOHAMMAD ZULKIFLI BIN ABDUL HAMID

Head of Department, Human Resources

PUAN JOYCE LEE SUAN IMM

Head of Corporate Affairs Division

ENCIK ZANUDIN BIN HANAFIAH

Head of Department, Planning & Development

ENCIK SHANMUGA A/L MURUGASON

Head of Department, Internal Audit

Ir. JAMIL BIN MOHD NOOR

Head of Department, Operations

ENCIK MOHAMED ABDULLAH BIN TAJUDIN

Head of Department, Finance

Ir. ISMAIL BIN ISHAK

Head of Department, Facilities &

Instrumentation

ENCIK MAK KOK YUN

Head of Department, Quality, Safety & Health

PUAN SITI SUBAYDA BINTI S.M. MYDIN

Head of Department, Information Technology

ENCIK MOHD. NIZAM BIN OMAR

Head of Department, Customer Service



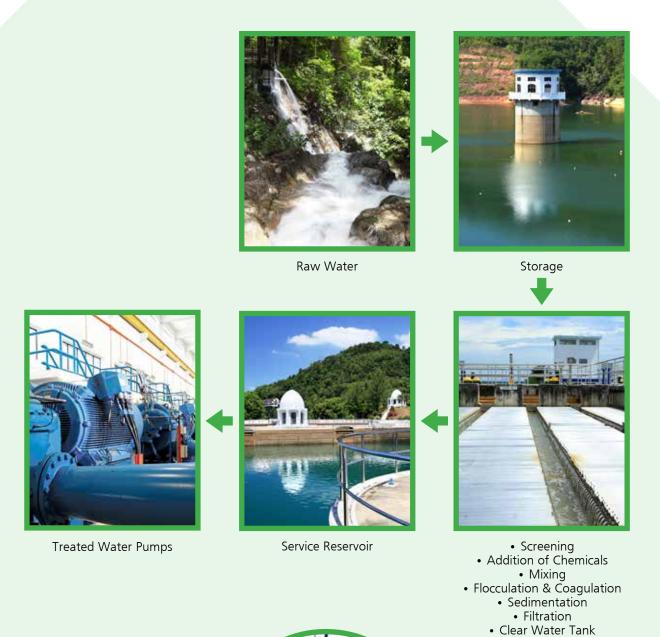


Penang State Water Supply Statistics 2015



Area of Penang State	1,048 sq. km
Population	1.663 million people
Number of Registered Consumers	Domestic : 494,737
	Trade : 81,010
	Total : 575,747
Water Catchment Area	62.9 sq. km
Total Manpower	1,232
Number of Dams	4
Total Raw Water Storage Capacity	45,758 million litres
Number of Treatment Plants	9
Designed Capacity of Treatment Plants	1,479 million litres /day
Number of Customer Care Centres	9
Number of Treated Water Reservoirs	57
Number of Treated Water Towers	40
Number of Booster Pump Stations	88
Total Length of Pipes (100 mm and above)	4,346 km
Daily Supply of Treated Water	1,014.5 million litres / day
Daily Water Consumption	812.8 million litres / day
Percentage of Non-Revenue Water	19.9%
Domestic Consumption Per Capita	291 litres / person / day

Water Treatment Process





Supply to Consumers



SUNGAI DUA

Penang's Most Highly Évolved Water Treatment Plant

by Dato' Ir. Jaseni Maidinsa



Historical Perspective

Planning for the Sungai Muda (Water) Scheme was initiated in early 1968, and site works began in 1970 with loans from the Asian Development Bank and the Federal Government. With the launching of Phase 1, this plant will supply about 136 million litres per day (MLD). With the launching of Phase 2 and subsequent stages, Penang will have an excellent in-state water supply scheme that is projected to meet development needs until Year 2000.

The late Tun Dr. Lim Chong Eu,

Chief Minister of Penang, and Chairman of the Penang Water Authority Official Opening of the Sungai Muda Water Scheme, 9th November 1973.

The Sungai Muda Water Scheme was officially opened by the late Tun Abdul Razak bin Hussein, the second Prime Minister of Malaysia.

Phase 1 of the scheme comprised Penang's abstraction of 136 MLD of raw water from Sungai Muda. The raw water was then pumped to the Sungai Dua Water Treatment Plant (SDWTP) through a 14km canal from Lahar Tiang.

Treated water from the plant was then transported through 27.2km of steel pipelines laid in Seberang Prai for distribution to Butterworth and Prai, and through 3.66km of twin submarine pipelines to Penang Island.

The official opening of the Sungai Muda Water Scheme and the commissioning of the Sungai Dua Water Treatment Plant heralded the beginning of Penang's age of 'high-tech industry'.

And, the words penned by Tun Dr. Lim, for the official opening of the Sungai Muda Water Scheme, have been proven to be both far-sighted and judicious.

MEETING PENANG WATER SUPPLY NEEDS

In 1971, Penang's population was estimated to be about 800,000 people and the Gross Domestic Product (GDP) per capita was RM1,025.00*. In 2015, the population estimate was 1.663 million people** while the GDP per capita was projected to be RM42,251.00***.

A 107.9% growth in population and 4,022% growth in per capita GDP over a period of just 45 years represent significant socio-economic progressions. Today, Penang is recognised as a high-tech international manufacturing centre, a South-East Asian hub for services (powered by information and communications technology), and Lonely Planet's 4th ranked 'Top 10 Cities to Visit in 2016'.

Continuous good water supply, 24/7, was, and still is, one of the fundamental elements driving Penang's growth. There has been no incidence of water rationing in recent history, although water consumption has increased by 469.2%, from 52,120,428 cu.m. in 1973 to 296,662,323 cu.m. in 2015

Since its corporatisation in 1999, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) has been expanding and upgrading the Sungai Dua Water Treatment Plant (SDWTP) to meet all of Penang's water supply needs.

Today, more than 80% of Penang's treated water is produced at this plant daily. In other words, the SDWTP is the most 'highly evolved' water supply installation in Penang's history.

- * PDC 20th Anniversary Book (Sept 1990)
- ** Department of Statistics (2015)
- *** Speech by Penang Chief Minister YAB Tuan Lim Guan Eng at Merton College, Oxford University, UK (Oct 2015)



SUMMARY OF PLANT EXPANSION / UPGRADES

Table 1: summarises the evolution of the SDWTP

Year	Project Max. Trea Capacity			
1973	Phase 1 (Horizontal Settling Tanks)			
1994	Phase 2 (Horizontal Settling Tanks)	272		
1999	Phase 1 Upgrade (HDPE Multi-Trays)		318	
	Phase 2 Upgrade (HDPE Multi-Trays)	454		
Phase 4A				
2004	Package 3 (Dissolved Air Flotation)	114		
2011	Package 10 (Stainless Steel Lamella Plates)		114	
2013	Package 11 (Stainless Steel Lamella Plates)	114		
2016	Package 12 (Stainless Steel Lamella Plates)	114		
		Total	1,228	

The SDWTP is located on an 18.2-hectare site in Seberang Prai Utara. Raw water from Sungai Muda is delivered to the plant via a 14km canal. Conventional water treatment technology is employed for water treatment, incorporating the processes of rapid mixing, flocculation, sedimentation, rapid gravity sand filtration and disinfection/conditioning (using chlorine, hydrated lime and fluoride).

The SDWTP has undergone seven (7) upgrades since 1973. Its maximum treatment capacity has been increased from 136 MLD to 1,228 MLD. This represents a nine-fold (900%) increase in treatment capacity.

The most significant upgrades occurred from 1999, the year in which PBAPP was corporatised.

In 1999, the conventional rectangular horizontal flow settling tanks were upgraded to HDPE multi-tray settling tanks. Through this upgrade, the surface flow rate was almost doubled, from 1.5 to 2.7 metres per hour (m/hr). Moreover, the maintenance frequency of the settling tanks was reduced from a monthly interval to a bi-monthly interval.

In 2000, PBAPP acquired adjacent land to expand the SDWTP. In 2004, Package 3 of the Phase 4A saw the construction of a 114 MLD Dissolved Air Flotation (DAF) module. However, the automated DAF can only treat raw water turbidity not exceeding 300 NTU.

In 2011, PBAPP chose to implement Stainless Steel Lamella Plate (SSLP) technology for 114 MLD Package 10 (Phase 4A). The installation of automated advanced stainless steel lamella plate settling tanks (with hopper bottom process units) yielded seven key benefits:

- high treatment output and efficiency
- compact module footprint;
- capability to handle high turbidity raw water;
- · affordable build-up and treatment costs;
- proven water quality;
- · relatively easier maintenance; and
- · long-term durability and reliability.

The surface flow rate can be increased to 8m/hr. The works are operated mainly in automatic mode and the maintenance of the settling tanks was reduced from bi-monthly to six-month intervals.





Table 2: Evolution of Sungai Dua Water Treatment Plant Settling Tank Technology

Type of Settling Tanks	Surface Flow Rate (m/hr)	Maintenance Frequency (months)
Conventional Horizontal Tanks	1.5	1.0
HDPE Multi-Tray Tanks	2.7	2.0
Stainless Steel Lamella Plate Tanks	8.0	6.0

The evolution of the SDWTP settling tanks technology from conventional horizontal settling tanks to HDPE multi-trays, and finally, Stainless Steel Lamella Plates, have improved the surface flow rates from 1.5 m/hr to 2.7 m/hr, and finally to 8 m/hr.

In addition to this, the maintenance frequency of the settling tanks was drastically improved from monthly to bi-monthly, and finally to six- monthly intervals. These improvements have resulted in making the SDWTP the most efficient PBAPP water treatment plant.

The good results shown by the Package 10 module led to the subsequent construction of SSLP modules for Package 11 (114 MLD) in 2011, and Package 12 (114 MLD) that was recently commissioned in March 2016.

Meanwhile, some of the existing Phase 1 and 2 HDPE multi-tray settling tanks are also being replaced with SSLP units.

STATUS REPORT MARCH 2016

Table 3: Key Data on the Sungai Dua Water Treatment Plant

a.	Location	Seberang Prai, Penang
b.	Raw Water Sources	 Sungai Muda (primary) Mengkuang Dam (temporarily decommissioned since February 2014 to facilitate the expansion project)
c.	Maximum Capacity	1,228 MLD
d.	Treatment Technology	5 x Conventional Treatment Packages1 DAF Package
e.	Water Quality	Exceeds Standards for Drinking Water set by the Ministry of Health, Malaysia
f.	Supply Areas	Seberang PraiPenang Island (two twin submarine pipelines)

FUTURE PLANS

On 25th November 2015, PBAPP received an 'ASEAN Outstanding Engineering Achievement Award for the Year 2015' for design and construction of the SDWTP from the 33rd Conference of the ASEAN Federation of Engineering Organisations (CAFEO).

The SDWTP is much more than just a showcase plant. It is a strategic water installation that produces 80% of Penang's treated water and allows PBAPP to sustain 100% urban and 99.7% rural supply coverage. This plant, more than any other, helps a water-stressed state to avoid water rationing at all costs in this age of climate change.

As such, a plot of land has been allocated for Package 12A of Phase 4A, to accommodate the proposed construction of the last water treatment module, featuring the SSLP technology, with a capacity of 136 MLD. This will ultimately increase the total capacity of the SDWTP to 1,364 MLD.

So long as Penang is dependent on Sungai Muda as its primary raw water resource, PBAPP will continue to optimise the SDWTP to meet all of its water supply needs.

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is the licensed water operator that serves the State of Penang. In 2015, PBAPP sustained 100% urban and 99.7% rural water supply coverage in Penang, 24/7.

There were no incidences of water rationing in Penang in 2015.

0.08% Decrease in Consumption

During the year in review, PBAPP treated 370,286,403 cubic metres of cu.m. of water (1 cu.m. is equivalent to 1,000 litres).

Meanwhile, the metered consumption of water in Penang for 2015 was recorded as 296,662,323 cu.m., as compared to 296,897,965 cu.m. in 2014. This reflects a marginal decrease of 235,642 cu.m. (0.08%) year-on-year.

In 2015, domestic consumption (by households) amounted to 176,433,018 cu.m. (59.5%), while trade consumption (by companies and business) accounted for 120,229,305 cu.m. (40.5%).

Serving 575,747 Consumers

Year	Registered Consumers	PBAPP employees	PBAPP Employee : Consumers Ratio
2015	575,747	1,232	1 : 467
2014	561,811	1,263	1 : 445
2013	546,749	1,211	1 : 451

PBAPP's customer base in Penang increased by 2.48% year-on-year. The number of registered water consumers in Penang was 575,747 consumers in 2015 as compared to 561,811 consumers in 2014.

The number of domestic consumers increased by 2.19% (10,619 consumers), from 484,118 consumers in 2014 to 494,737 consumers in 2015. Meanwhile, the number of trade consumers increased by 4.27% (3,317 consumers), from 77,693 consumers in 2014 to 81,010 consumers in 2015.

With a workforce of 1,232 employees in 2015, PBAPP recorded an employee : consumer efficiency ratio of 1 : 467 in 2015.

7 Key Development Projects

During the year in review, PBAPP completed the following projects that will further improve water supply services in Penang:

- In 2016, PBAPP is planning to award a public tender for the laying of 3.2km of 1,200mm twin submarine pipelines from Butterworth to Penang Island. The implementation of this project will further upgrade the delivery of treated water from the Sungai Dua WTP to areas on the island;
- Package 12 Sungai Dua WTP (114 million litres per day, or MLD) water treatment module utilising stainless steel lamella plates technology;
- Bukit Dumbar 2 Pumping Station (272 MLD);
- 36 million litre (ML) reservoir in Jawi (Seberang Prai Selatan);
- 3.2km of 900mm pipeline from Bukit Tengah to Jalan Song Ban Keng (Bukit Mertajam);

Water Supply Engineering Report 2015 (Cont'd)

7 Key Development Projects (Cont'd)

- 6.3km of 450mm pipeline from Teluk Bahang Dam to Titi Kerawang (for treated water supply to Balik Pulau); and
- Teluk Bahang treated water pumping station to back up water supply to Balik Pulau.

36.2km of Mains Replaced

To prevent burst pipes and water loss, PBAPP replaced a total of 36.2km of mains in 2015. The mains that have been replaced include 16.8km of asbestos cement pipes that have outlived design specifications.

At the same time, PBAPP also replaced 39,924 water meters at residences and business premises that have been in service for more than 10 years. This meter replacement programme is aimed at ensuring accurate measurements of water consumption.

3,125 Samples of Treated Water Tested

To ensure that Penang's treated water quality complied with the Quality Assurance Programme (QAP) parameters set by the Ministry of Health, PBAPP and the Health Department, Penang, jointly implemented a comprehensive, yearlong water surveillance programme.

Treated water sampling was carried out on a weekly basis at basic points (raw water and treatment plant output points) and monthly at auxiliary points (within the treated water distribution systems).

A total of 3,125 samples were taken throughout the year for testing.

In general, testing revealed that the quality of Penang's treated water samples exceeded the physical, microbiological and inorganic content parameters set under the Health Ministry's QAP for:

- coliform bacteria
- e-coliform bacteria
- e-coliform bacteria and residual chlorine
- chlorine
- turbidity
- aluminium.

Compliance with WSIA 2006 and Water Operator KPIs

During the year in review, the National Water Services Commission (SPAN), the federal regulator for water supply services in Malaysia, conducted 5 audits in PBAPP premises.

These audits covered the following areas of operations – products and material for water supply, non-revenue water, quality of water supply services, customer service and service certification.

No major issues were reported and PBAPP was found to have achieved positive results for the key performance indicators (KPIs) set by SPAN.

Water Supply Engineering Report 2015 (Cont'd)

Sustaining 5 Certified Management Systems

PBAPP's operations are benchmarked to various international and/or national ISO standards. In 2015, PBAPP successfully sustained the following certifications/accreditations:

- ISO 9001:2008 (Quality Management) for "treatment and supply of potable water with the provision of customer services" company-wide.
- ISO 14001:2004 (Environmental Management) for "management and treatment of raw water and supply of potable water" PBAPP Komtar headquarters, Batu Ferringhi Treatment Plant, Teluk Bahang Dam, Waterfall Treatment Plant and Air Itam Treatment Plant.
- OHSAS 18001:2007 (Occupational Safety and Health Management System) for "treatment and supply of potable water with the provision of customer services" company-wide.
- MS ISO/IEC 17025:2005 (Laboratory Accreditation Scheme of Malaysia) for chemical testing at the PBAPP Laboratory, Sungai Dua Water Treatment Plant.
- MS ISO/IEC 27001:2007 (Information Security Management System) for 'the management and treatment of potable water' at the Sungai Dua Water Treatment Plant.



PBAHB Group Employee Profile

As at December 2015, the PBAHB Group employed a total 1,240 personnel.

Categories	PBAPP	Other Subsidiaries	PBAHB Group
Managers and Assistant Managers	23	2	25
Executives	61	2	63
Clerical and Technical Personnel	508	4	512
Industrial Manual Group	640	0	640
Total	1,232	8	1,240

About 58% of the workforce are younger than 40 years old. In 2015, 37 employees resigned while 20 employees retired at the age of 60 years. 2 employees passed away while in service during the year.

Human Resource Development

2015 was a challenging year that affected many organisations globally and the management recognised the need to proactively develop its human resources through a strategic "Technical Institute Development Programme" (TIDP). The TIDP encompassed of a series of technical topics, with the main focus on "Six Sigma" doctrine. 20 personnel (including managers, engineers and executives) were selected for a 6-month TIDP course. After obtaining in-depth knowledge on the application of "Six Sigma" concepts into their daily work, these participants applied these process doctrines into their real-time projects.

In the meantime, PBAPP employees also participated in training programmes related to soft skills, technical skills, information technology and quality and safety programmes.

The company achieved 4.06 man-days of training for all employees in 2015.

Summary of employee attendance for HRD programmes in 2015 :

Human Resources Division Programmes 2015						
In-House Programmes Public						
No of Programmes	65	55				
No of Employees Trained	1,179	126				

Human Resources Division Programmes 2015										
	Management Programmes		Technical Programmes		IT Programmes		Safety & Health Programmes		TOTAL	
	In- House	Public	In- House	Public	In- House	Public	In- House	Public	In- House	Public
Executives	33	55	146	10	12	2	7	4	198	71
Non-Executives	294	26	366	17	71	4	250	8	981	55
TOTAL	327	81	512	27	83	6	257	12	1,179	126

6th Collective Agreement (CA) 2015 -2017

On 14 January 2016, PBAPP signed its 6th CA with Kesatuan Kakitangan PBAPP Sdn Bhd and Kesatuan Pekerja-Pekerja PBAPP Sdn Bhd. The signing ceremony reflected the harmonious relationship amongst the board, management and the two unions that has resulted in good corporate results for 2015.

Customer Service

As at 31 December 2015, PBAPP was serving 575,747 registered water consumers. Customer requests and issues were addressed and resolved through direct interactions at 9 Customer Care Centres as well as via PBAPP's 24-Hour Call Centre (04-509 6 509). Customers could also contact PBAPP via a customer contact form on www.pba.com.my or an email to customer@pba.com.my.

Online information and data on PBAHB and PBAPP were posted and updated at www.pba.com.my and www.pbahb. com.my respectively.

PBAPP also offers user-friendly online bill payment services via nine (9) leading e-banking portals.

The following are the key results achieved by PBAPP on the customer service front during the year in review.

	Key Performance Indicators	Achievement
1	Billing queries - Responded within 3 working days	89.09%
2	Response to queries - Complaints meaningfully responded to within 5 working days	93.20%
3	Telephone queries - Responded within 30 seconds	88.53%
4	 Customer Care Centres Average Service Waiting Time Average Service Serving Time Average Payment Waiting Time Average Payment Serving Time Total Number of Customers Served Total Number of Stubs Collected Total Collections Handled 	3.12 minutes 4.50 minutes 1.69 minutes 1.19 minutes 814,661 1,055,091 RM 274,576,738.23
5	 24-Hour Call Centre Total number of calls received Total number of calls answered 	122,511 108,459



The Board of Directors and management of PBA Holdings Bhd ("PBAHB" or "the Company") remain steadfast in adopting good corporate governance. The statement below sets out how the Group has applied the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code") together with the provisions contained in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

Through this statement, the Board reaffirms its commitment in upholding a high standard of corporate governance throughout the Group which is fundamental to fulfilling its responsibilities of protecting and enhancing the value of its stakeholders and to safeguard their interests, through excellence in Corporate Governance standard at all times.

PRINCIPLE 1 - ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear functions of the Board and Management

The Board is responsible for the oversight and overall management of the Company. In order to ensure the effective discharge of its functions and responsibilities, specific powers of the Board are delegated to the relevant Board Committees and the Chief Executive Officer ("CEO").

However, significant matters such as approval of financial results, declaration of dividends, risk appetite setting, short term and medium term business plans/policies, annual budget and appointment of key responsible persons are reserved for the Board's consideration and approval.

The Board of Directors delegates the ordinary management of the Company's business to the CEO and management committee of division heads and heads of department.

The CEO holding an executive post and not being a member at the Board has significant responsibilities to run the business based on the strategic plans and ensure the conduct of the business and procedures are properly executed. The CEO would present to the Board, the recommended strategies and proposed business plans and budgets at a dedicated session which includes Key Performance Indicators (KPI). The Board would give its feedback on focus areas, key initiatives and service/product roadmap in the planning of Key Action Plans.

The CEO is responsible for the day-to-day management of the business and operations of the Company with respect to both its regulatory and commercial function. The Company is also subject to adhere to the Suruhanjaya Perkhidmatan Air Negara (SPAN) rules and regulations on water matters.

Management's performance under the leadership of the CEO is assessed by the Board through quarterly report which are tabled to the Board and includes a comprehensive summary of the Company's risks and financial performance during each reporting period. The Board is also kept informed of the key strategic initiatives, significant operational issues and the Company's performance based on the approved KPIs.

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs with authority to act on behalf of the Board in accordance with their respective terms of reference. Although specific powers are delegated to the Board Committees, the Board kept itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairmen of the Board Committees.

1.2 Clear roles and responsibilities

The Group is led by Board members who have a wide range of competencies and experience ranging from the accounting, business, legal and public service sectors.

1.2 Clear roles and responsibilities (Cont'd)

Presently, there are fourteen (14) Board members in total, all holding non-executive positions. The requirement of the Listing Requirements for an effective Board balance is fulfilled with five of the fourteen Board members assuming independent non-executive positions, together with two Directors who are the members of the Malaysian Institute of Accountants who sit on the Audit and Risk Management Committee ("ARMC"). The number of independent non-executive Board members is sufficient to lend independent objectivity and added perspectives to the Board's decision-making process.

Board Balance is also ensured by way of the active and unrestricted participation of the Independent Non-executive Directors ("IDs") in the deliberations and decision-making process of the Board. All Directors have full access to the background information pertaining to all matters placed before them for decision-making. All Directors are entitled to call for full disclosure by the Management to ensure that matters moved by the Management for decision-making by the Board can be discussed and examined in a balanced manner that takes into account the long term interests, not only of the shareholders, but also of the employees, customers and the communities at large.

The Board comprises only Non-Executive Directors who are independent of the management. Their role is to constructively challenge the management and monitor the success of management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the management at all levels, and they engage with the external and internal auditors to address matters concerning the management and oversight of the Company's business and operations.

The principal responsibilities of the Board include the following:

- a) To monitor the compliance with all relevant statutory and legal obligations.
- b) To review and set the Group's strategic plan and direction and ensure that resources are available to meet its objectives.
- c) To supervise the operations of the Group to evaluate whether established targets are achieved.
- d) To identify principal risks and ensure the implementation of appropriate systems to manage these risks.
- e) To promote better investor relations and shareholder communications.
- f) To ensure that the Group's core values, vision and mission are achieved and shareholders' interests are met.
- g) To review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- h) To establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.
- To initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for directors to attend courses, seminars and participate in development programs as the Board judges appropriate.
- To ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promote a culture of corporate responsibility.

YAB Tuan Lim Guan Eng, being the Chairman of the Board, holds a non-executive position and is primarily responsible for matters pertaining to the Board and overall conduct of the Group. The Board has fulfilled the requirement with one third Independent Directors as its members. The Board after taking into consideration of the Recommendation 3.5 of the MCCG 2012, has assessed the situation and is satisfied with the present Board composition which is able to ensure a balance of power and authority on the Board.

1.2 Clear roles and responsibilities (Cont'd)

The roles of the Chairman and CEO are strictly separated.

The Chairman is responsible for:

- i) leadership of the Board.
- ii) overseeing the effective discharge of the Board's supervisory role.
- iii) facilitating the effective contribution of all directors.
- iv) conducting the Board's function and meetings.
- v) briefing all the directors in relation to issues arising at meetings.
- vi) scheduling regular and effective evaluations of the Board's performance.
- vii) promoting constructive and respectful relations between Board members and between the Board and the Management.

The CEO is responsible for:

- a) strategic business direction, plans and policies of the Group.
- b) the efficient and effective operation of the Group.
- c) day-to-day management of the Group with all powers, discretions and delegations authorised, from time to time, by the Board.
- d) bringing material matters to the attention of the Board in an accurate and timely manner.

The Board is at liberty to seek independent professional advice on matters relating to the fulfilment of their roles and responsibilities. The cost of procuring these professional services will be borne by the Company.

A brief profile of each Director is presented in the preceding pages of this Annual Report.

1.3 Formalise ethical standards through a code of conduct and ensure its compliance

The Board has in place a Code of Conduct for the Directors and employees. The Code of Conduct includes amongst others the respect for the individual, create a culture of open and honest communication, set the tone at the top, uphold the law, avoid conflicts of interest, set metrics and report results accurately.

1.4 Strategies promote sustainability

The Board promotes good Corporate Governance in the application of sustainability practices throughout the Company, the benefits of which are believed to translate into better corporate performance. A detailed report on sustainability activities, demonstrating the Company's commitment to the global environmental, social, governance and sustainability agenda, appears in the Corporate Social Responsibility Statement of this Annual Report.

1.5 Access to information and advice

Each Board meeting is scheduled three months in advance so that the Directors are able to plan ahead their respective meeting schedules.

The Board holds regular meetings of not less than 4 times a year. Special Board meetings may be convened as and when necessary to consider urgent proposals and matters that require the Board's expeditious review or consideration.

1.5 Access to information and advice (Cont'd)

The Board Meetings are chaired by the Non-Executive Chairman, YAB Tuan Lim Guan Eng, who has the responsibility of ensuring that there is adequate and sufficient time for discussion of items on the agenda.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least 7 days before convening the Board meeting. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. There is process in place for Non-Executive Directors to seek clarifications or obtain details concerning the Board agenda papers from the management or the company secretary or they may seek for independent professional advice. Confidential papers or urgent proposals are presented and tabled at the Board meetings under a supplementary agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, so that the Board deliberations and decision-making are performed systematically and in a well-informed manner.

The minutes of the Board meetings together with its notice and papers are circulated to all Directors for their perusal prior to the commencement of each Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation from all the members at the Board meetings as a correct record of the proceedings of the meeting.

At the Board meetings, respective Chairmen of the Board Committees will report, advise and recommend to the Board, salient views and conclusions of their respective agendas.

The CEO, Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and Head of Corporate Affairs Division are invited to the Board meetings to table and report on matters relating to their respective areas of responsibility, and also to brief and provide detailed information and recommendation to the Directors.

The Board has access to reports, papers on specific issues, information on major financial and operational matters. Management supplies sufficient information to the Board in a timely manner to enable the Board to discharge its duties effectively. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from them. In this way, the Board has full access to all information on the Company's affairs to enable the proper discharge of duties.

In addition, the Board may seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties in relation to matters being deliberated. Individual Directors may also obtain independent professional or other advice in furtherance of their duties, subject to the approval of the Chairman or the Board with the duly approved fees.

1.6 Qualified and competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions.

1.6 Qualified and competent Company Secretary (Cont'd)

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with the relevant regulatory requirements, codes or guidance and legislations. The Board is supported by a suitably qualified and competent Company Secretary who is a member of a professional body.

The Board has ready and unrestricted access to the advice and services of the Company Secretary, who is considered capable of carrying out the duties to which the post entails.

1.7 Board Charter

The Board has formally adopted the Board Charter ("Charter") in 2013, which provides guidance to the Board in the fulfillment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Charter provides guidance for Directors and Management on the responsibilities of the Board, its Committees and requirements of Directors and is subject to periodical review to ensure consistency with the Board's strategic intent as well as relevant standards of corporate governance.

The Board updates the Board Charter from time to time to reflect changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations, and is subject to review periodically. Salient terms of the current Board Charter are published on the Company's website.

PRINCIPLE 2 - STRENGTHEN COMPOSITION

2.1 Nominating Committee ("NC")

In 2015, the NC comprises five (5) Non-Executive Directors, the majority of whom are Independent Directors (IDs).

Chairman

YBhg. Dato' Athi Isvar a/l Athi Nahappan (ID)

<u>Members</u>

YB Prof. Dr. P. Ramasamy a/l Palanisamy (Non-Executive Director)

YB Dato' Haji Mokhtar Bin Mohd Jait (Non-Executive Director)

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff (ID)

YBhg. Dato' Agatha Foo Tet Sin (ID)

In addition to the above and in order to improve the overall organizational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted the whistleblowing program which acts as a formal communication channel and the staff can communicate concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values. Details of the said whistleblowing policy are set out in Page 10 of this Annual Report.

2.2 Develop, maintain and review criteria for the recruitment process and annual assessment of Directors

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which is delegated to the NC, with the membership comprising exclusively, non-executive directors, the majority of whom are independent. This composition of only non-executive directors with the majority as IDs in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

In an effort to promote boardroom diversity, the NC has taken various steps to ensure that women candidates are sought from various sources as part of is recruitment exercise.

The Terms of Reference of the NC further provides that it shall have specific responsibilities in relation to nomination matters. With respect to nomination matters, the specific responsibilities of the NC also include:

- Formulating the nomination, selection and succession policies for members of the Board.
- Making recommendations to the Board on new candidate(s) for appointment and re-appointment/re-election of Directors to the Board;
- Reviewing the required mix of skills, experience and other qualities of the Board annually;
- Reviewing and recommending to the board the appointment of members of the Board committees established by the Board annually;
- Establishing a set of performance criteria to evaluate the performance of each member of the Board and reviewing the performance of the members of the Board;
- Ensuring that orientation and education programmes are provided for new members of the Board and reviewing the Directors' continuing education programmes;

During the financial year 2015, the NC had met two (2) times and carried its duties and responsibilities in accordance with its Terms of Reference ("TOR"). The main activities undertaken by the NC were, amongst others, as follows:-

- i) Reviewed and recommended the re-appointment/re-election of Directors who are subject to the retirement at the 15th Annual General Meeting;
- ii) Reviewed and evaluated the appointment of new Directors on the Board;
- iii) Reviewed the independence of independent directors and their tenure; and
- iv) Reviewed the summary report on the annual assessment of its Directors.

During the nomination and election process for appointment of a new director(s), the NC:-

- (i) Receive a nomination from:
 - a. Director of the Company; or
 - b. requisition from the shareholders;
- (ii) The NC shall review the proposed candidate(s) and if need be, to meet with the candidate(s) for an interview;
- (iii) The NC shall report its findings and recommendations to the Board for consideration;
- (iv) The Board through the NC, will review the suitability of an individual to be appointed taking into account the skills, expertise, background, experience, independent judgement, board interaction and any other criteria deemed fit;
- (iv) If the nomination is from one of the Directors, the election process shall be conducted at a meeting of the Directors by show of hands;
- (v) If the nomination is from the shareholders, the election process shall be conducted at an AGM or Extraordinary General Meeting by show of hands or poll, as the case maybe;

2.2 Develop, maintain and review criteria for the recruitment process and annual assessment of Directors (Cont'd)

- (vi) The Special Shareholder has the right from time to time to appoint any Government Appointed Director(s) and there shall not be less than two (2) nor more than eleven (11) Government Appointed Director(s) at any time pursuant to the Company's Articles of Association; and
- (vii) Invitation or offer to be made to the proposed candidate(s) after the approval from the Board members at the meeting.

Since the last annual general meeting, the NC has reviewed and recommended Tuan Brian Tan Guan Hooi to be appointed as an ID of the Company. While YB Tuan Chow Kon Yeow was appointed as Non-Executive Director of the Company on 22 February 2016 by the Board through a nomination letter from the State Secretary Incorporated, being the Special Shareholder of the Company pursuant to the Articles of Association of the Company.

YBhg. Dato' Agatha Foo Tet Sin has been appointed as the Senior Independent Director ("SID") on 26 November 2015. The following are the changes in the appointments of SID since the last general meeting:

		Tenure	Years with the Board
1	YBhg. Dato' Chew Kong Seng	24 April 2014 until 17 July 2015	13 years
2	YBhg. Dato' Syed Mohamad Bin Syed Murtaza	27 August 2015 until 26 November 2015	6 years

2.3 Remuneration Committee ("RC")

In 2015, the RC comprises five (5) Non-Executive Directors, majority of whom are IDs. The composition of the RC is as follows:-

Chairman

YB Prof. Dr. P. Ramasamy a/l Palanisamy (Non-Executive Director)

Members

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff (ID)

YBhg. Dato' Agatha Foo Tet Sin (ID)

YBhq. Dato' Athi Isvar a/l Athi Nahappan (ID)

Puan Mary Geraldine Phipps (ID)

The RC was established to: -

- i) Review and recommend to the Board the framework or broad policy for the remuneration of the Company's Chief Executive, executive directors and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or senior management shall be involved in any decisions as to their own remuneration;
- ii) In determining such policy, take into account all factors which it deems necessary.;
- iii) Review the ongoing appropriateness and relevance of the remuneration policy;
- iv) Approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;
- v) Review the design of all incentive plans for approval by the Board and shareholders, where relevant;
- vi) Within the terms of the agreed policy and in consultation with the Chairman, determine the total individual remuneration package of each executive director and senior executives including bonuses, incentive payments and share options or other share awards; and
- vii) Oversee any major changes in employee benefits structures throughout the Company or Group.

2.3 Remuneration Committee ("RC") (Cont'd)

During the financial year 2015, the RC had met two (2) times and carried out its duties and responsibilities in accordance with its TOR. The main activities undertaken by the RC were, amongst others, as follows:-

- a) Reviewed the strategic key performance indicators retreat of the Group;
- b) Review the succession planning and talent management for the Company;
- c) Reviewed organization structure of the Group; and
- d) Reviewed remuneration package for senior executives including bonuses, incentive payments and other benefits.

None of the Directors of the Company are holding the executive capacity. The details of the remuneration of the Directors for the financial year 2015 are summarized as follows:-

	Basic Salary	Directors' Fees	Allowance	Benefits-In-Kind
Directors	(RM)	(RM)	(RM)	(RM)
Non-Executive Chairman	NIL	NIL	46,800	NIL
Non-Executive Deputy Chairman	NIL	NIL	27,900	NIL
Non-Independent Non-Executive Directors	NIL	NIL	173,500	NIL
Independent Non-Executive Directors	NIL	NIL	158,400	NIL

The respective remuneration of all the non-executive Board members in the Company falls below the range of remuneration of RM50,000 for the financial year 2015.

2.4 Combination Nominating and Remuneration Committee into a single committee in year 2016

On 14 April 2016, the Board had decided to merge the functions of existing Nominating Committee and Remuneration Committee into a single committee to be known as Nomination and Remuneration Committee ("NRC") and has approved its TOR accordingly.

In this respect, the NRC comprises six (6) Non-Executive Directors, the majority of whom are IDs, as follows:-

Chairman

YB Prof. Dr. P. Ramasamy a/l Palanisamy (Non-Executive Director)

<u>Members</u>

YBhg. Dato' Athi Isvar a/l Athi Nahappan (ID)

YB Dato' Haji Mokhtar Bin Mohd Jait (Non-Executive Director)

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff (ID)

YBhg. Dato' Agatha Foo Tet Sin (ID)

Tuan Brian Tan Guan Hooi (ID)

The primary purposes of the NRC are as follows:-

- a) Recommend to the Board for the approval of the following appointments:
 - Members of the Board (other than Government Appointed Directors who were appointed by Special Shareholder of the Company);
 - ii) Members of the Board Committees;
 - iii) Senior Independent Non-Executive Director; and
 - iv) Principal Officers such as CEO, CFO, COO etc.

2.4 Combination Nominating and Remuneration Committee into a single committee in year 2016 (Cont'd)

- b) Review and recommend to the Board the remuneration packages for the Chief Executive, executive directors and such other members of the executive management as it is designated to consider.
- c) Review and approve the appointment of the Group's key management personnel as may be determined by the Committee from time to time.

The Board is satisfied that with the new established committee, NRC will discharge its functions efficiently and effectively with respect to the nomination and remuneration matters. The full TOR of NRC is available on the Company's website.

PRINCIPLE 3 - REINFORCE INDEPENDENCE

3.1 Annual assessment of IDs

The Board through the NC assesses the IDs on an annual basis, with a view to ensure the independent directors bring independent and objective judgment to the Board and this mitigates potential conflict of interest or undue influence from interested parties. Should any Director have an interest in any matter under deliberation, he is required to disclose his interest and abstain from participating in the discussions and voting on the matter.

The Board also received confirmation in writing from the IDs of their independence. The Board is satisfied with the assessment of the Independent Directors.

3.2 Tenure of ID

One of the recommendation of the MCCG 2012 states that the tenure of an independent director should be capped at 9 years, either be a consecutive service of 9 years or a cumulative service of nine years with intervals. Upon completion of the nine years tenure in office, an independent director may continue to serve on the company subject to the re-designation as a Non-Independent Director.

The NC and Board will do evaluate the contribution and tenure of IDs and in line with the Recommendation 3.3 of MCCG 2012 if necessary, the Company will be seeking its shareholders' approval at its Annual General Meeting ("AGM") to retain any ID of the Company.

3.3 Shareholders' approval for re-appointment as ID after a tenure of nine years

Currently no ID has served for a cumulative term of more than nine years.

3.4 Separation of positions of Chairman and CEO

In line with the Code, there is a clear division of responsibilities between the Chairman and CEO, who is not a Board member. The Chairman is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group, while the CEO's responsibility is to run the business and to ensure implementation of policies and strategies approved by the Board and to communicate to the Board on matters pertaining to the business results and performance of the Group.

PRINCIPLE 3 - REINFORCE INDEPENDENCE (CONT'D)

3.5 Board must comprise a majority of independent directors if Chairman is not an independent director

There are currently fourteen (14) Non-Executive Directors on the Board, of which five (5) are IDs and the present Board composition is in compliance with Paragraph 15.02 of the Listing Requirements.

The IDs on the Board act as a caretaker of the minority shareholders and their views carry significant weight in the Board's decision-making process.

The Board is mindful on the recommendation of MCCG 2012 that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. However, the Board has assessed the situation and satisfied with the present Board composition which comprised of sufficient Independent Directors of the Board with wide boardroom experience and expertise to provide the necessary check and balance.

PRINCIPLE 4 - FOSTER COMMITMENT

4.1 Time commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings as set out in the summary.

The Board would have at least four (4) regular scheduled meetings annually, with additional meetings convened as and when necessary.

A total of five (5) Board meetings were held in year 2015. The following is the record of attendance by the Board members during their tenure in office:

Names of Present Directors	Attendance Record
YAB Tuan Lim Guan Eng	5 out of 5
YB Dato' Haji Mohd Rashid Bin Hasnon	4 out of 5
YB Prof. Dr. P. Ramasamy a/l Palanisamy	5 out of 5
YB Dato' Seri Farizan Bin Darus	4 out of 5
YB Dato' Haji Mokhtar Bin Mohd Jait	5 out of 5
YB Tuan Lim Hock Seng	4 out of 5
YB Tuan Phee Boon Poh	5 out of 5
YB Dato' Haji Abdul Malik Bin Abul Kassim	3 out of 5
Dato' Seri Nazir Ariff Bin Mushir Ariff	5 out of 5
Dato' Athi Isvar a/l Athi Nahappan	4 out of 5
YBhg. Dato' Agatha Foo Tet Sin	4 out of 5
Puan Mary Geraldine Phipps	4 out of 5
Tuan Brian Tan Guan Hooi (Note 1)	1 out of 1
YB Tuan Chow Kon Yeow (Note 2)	Not applicable
Tuan Haji Mohamad Bin Sabu (Note 3)	3 out of 3
YBhg. Dato' Chew Kong Seng (Note 4)	3 out of 3
YBhg. Dato' Syed Mohamad Bin Syed Murtaza (Note 5)	2 out of 5

PRINCIPLE 4 - FOSTER COMMITMENT (CONT'D)

4.1 Time commitment (Cont'd)

Notes: -

- Note 1 Tuan Brian Tan Guan Hooi was appointed as ID on 13 October 2015
- Note 2 YB Tuan Chow Kon Yeow was appointed as Non-Executive of the Company on 22 February 2016
- Note 3 Tuan Haji Mohamad Bin Sabu resigned on 8 June 2015
- Note 4 YBhg. Dato' Chew Kong Seng demised on 17 July 2015
- Note 5 YBhg. Dato' Syed Mohamad Bin Syed Murtaza vacated his office on 9 December 2015

Save for YBhg. Dato' Syed Mohamad Bin Syed Murtaza (who has vacated his office as ID of the Company pursuant to Paragraph 15.05(3)(c) of the Listing Requirements), all the other Directors have complied with the minimum 50% attendance requirement in respect of Board Meeting as stipulated in the Listing Requirements.

The Board is in compliance with the Listing Requirements on the number of directorships in other public listed companies. The Board is informed of changes to the directorships held by their peers as and when notified by the directors and is satisfied that the current external directorships held by the Board members will not impair their ability to contribute to the Company and that the Directors are able to devote sufficient time to the Company in discharging their roles and responsibilities effectively.

4.2 Continuing education programme

The Board oversees the training needs of the Directors. Directors are regularly updated on the Group's business and the regulatory environment in which they operate. During the financial year 2015, all directors are updated on a timely basis of reading materials, on the latest developments on the directors' roles and responsibilities.

The Directors are encouraged to attend various professional programmes which were necessary to enable them to keep abreast with the changes in guidelines issued by the relevant authorities as well as on the latest developments in the market place, to complement their services to the Group.

All Directors (including new Directors who appointed during the year) have attended the Mandatory Accreditation Programme as required by Bursa Malaysia Securities Berhad ("Bursa Securities") on all directors of listed companies.

Others conferences, seminar and training programmes attended by some of the Directors in year 2015 were as follows:

- Lead the Change: Getting Women on Boards
- Embracing the Board's Role in Corporate Transformation for Sustainable Results
- Speaker at the USM CEO Forum
- Global Transformation Forum
- Roles and Responsibilities of the Board and Board Committees
- KPMG Tax Summit 2015
- Insider Trading by Public Listed Company

PRINCIPLE 5 - UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Directors acknowledge responsibility in ensuring that the financial statements of the Company and the Group give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of their results and cash flows for the financial year then ended. The Directors have also ensured that the applicable approved accounting standards in Malaysia and the accounting provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have:

- applied consistently the appropriate accounting policies adopted;
- made reasonable and prudent judgments and estimates;
- maintained proper accounting records to enable the preparation of the financial statements with reasonable accuracy.

In presenting the annual financial statements and quarterly announcements of results to the shareholders and to regulatory authorities, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects. The Audit & Risk Management Committee ("ARMC") reviews the quarterly results and Audited Consolidated Financial Statements, before the approval by the Board, focusing particularly on:

- (1) changes in or implementation of major accounting policy changes;
- (2) significant and unusual events; and
- (3) compliance with accounting standards and other legal requirements.

5.2 Assessment of suitability and independence of External Auditors

On an annual basis, the ARMC would review and monitor the suitability and independence of the External Auditors as well as reviewing the non-audit services provided by the External Auditors, if any.

The ARMC normally meets with the Group's external auditors to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The ARMC had also obtained an assurance from the External Auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC had met with the External Auditors without management present twice during the financial year 2015.

A formal and transparent relationship is established with the Group's External and Internal Auditors through the ARMC. The key features outlining the relationship of the ARMC with both the External and Internal Auditors are included in the ARMC Report furnished in the Annual Report.

The ARMC is satisfied with the competence and independence of the External Auditors and had recommended the re-appointment of the External Auditors to the shareholders' approval at the AGM.

PRINCIPLE 6 - RECOGNIZE AND MANAGE RISKS

6.1 Sound framework to manage risks

The Board is committed to maintain a good risk management framework and sound system of internal control within the Group. The Group has an embedded risk management framework process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group. The Board through the ARMC would obtain updates on the periodic check on the internal control system.

The ARMC oversees the risk management framework of the Group, reviews the risk management policies formulated by the Management and advises the Board on areas of high risk encountered by the Group and the adequacy of compliance and controls.

The Company continues to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and its shareholders' investments.

The details of the risk management are set out in the Internal Control Statement in this Annual Report.

6.2 Internal audit function

The Group has an established Internal Audit Department ("IAD"), which assists the ARMC in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the organization's management, records, accounting policies and internal controls to the Board. The IAD reports directly to the ARMC and its findings and recommendations are communicated to the Board.

The Statement on Internal Control as set out in the Annual Report provides an overview of the nature and scope of internal control within the Group.

PRINCIPLE 7 - ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate disclosure policies and procedures

The Company fully complies with the Listing Requirements in relation to disclosure of information to the Bursa Securities. Only the CEO, CFO and Corporate Affairs Division Head are accorded the 'designated person' authority in handling and disclosure of material information.

The Company has put in place an internal control policy on confidentiality to ensure that confidential information is handled properly by Directors, employees and relevant parties to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately.

7.2 Leverage on information technology for effective dissemination of information

The Board is ever conscious of the importance and need to communicate with its shareholders, stakeholders and potential investors to keep them well informed concerning the Group's operations and latest development. Information disseminated to the investment community conforms to the Bursa Securities' disclosure rules and regulations.

The Company maintains a website at www.pbahb.com.my to facilitate access on pertinent information concerning the Group and its operations by the shareholders, consumers and public.

PRINCIPLE 8 - STRENGHTEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

The Company provides information to the shareholders with regard to, amongst others, details of the AGM, their entitlement to attend the AGM, the right to appoint a proxy and also the qualifications of a proxy.

The notice of the AGM of the Company is given to the shareholders at least 21 clear days prior to its AGM. This would enable the shareholders to plan their time and also to appoint proxies and corporate representatives for the AGM. In addition, this would provide the shareholders ample time to peruse this Annual Report and if ask questions during the AGM.

The Company had amended its Articles of Association in line with the amendments to the Listing Requirements to include the exempted authorised nominees and the removal of the restriction of proxies to attend the general meetings.

The Company's AGM is a vital forum used to communicate and interact with its shareholders. At each AGM, the Board encourages shareholders to participate in the question and answer session. Each item of special business included in the notice of the AGM will be accompanied by an explanatory statement to facilitate full understanding and evaluation of issues involved. A full explanation is given of all the proposed resolutions to be passed at the AGM.

8.2 Encourage poll voting

The Chairman of the meeting would remind the shareholders, proxies and corporate representatives on their rights to demand for a poll in accordance with the provisions of the Articles of Association of the Company for any resolutions. The voting process at the general meetings shall be by way of show of hands unless a poll is demanded. The Chairman may demand for a poll for any substantive resolutions put forward for voting at the general meetings, if so required. The Company's share registrar's computer system is well equipped for any poll voting should the circumstances arise.

8.3 Effective communication and proactive engagements with shareholders

In maintaining the commitment to effective communication with shareholders, the Group adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public. The practice of disclosure of information is not just established to comply with the requirements of the Listing Requirements. It also adopts the recommendations of MCCG 2012 with regard to strengthening engagement and communication with shareholders. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the Listing Requirements.

PRINCIPLE 8 - STRENGHTEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.3 Effective communication and proactive engagements with shareholders (Cont'd)

Another key avenue of communication with its shareholders is the Company's AGM, which provides a useful forum for shareholders to engage directly with the Company's Directors.

At the 15th AGM, a majority of the Directors were present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.

The Chairman of the meeting provides time for the shareholders to ask questions for each agenda in the notice of the AGM, before putting a resolution to vote. The Directors, CEO/Management and External Auditors were in attendance to respond to the shareholders' queries. The Chairman also shared with the shareholders the Company's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

A press conference is held immediately after the Company's AGM to disseminate information pertaining to the Group's financial performance and operations and to clarify on any issues raised by the media.

COMPLIANCE STATEMENT

Save for the exceptions set out above, the Group is in substantial compliance through the financial year with the principles and recommendations of the MCCG 2012.

This Statement was approved by the Board on 14 April 2016.



The Board of Directors ("the Board") is pleased to issue the following Statement on Risk Management and Internal Control (the "Statement") pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management & Internal Control: Guidance for Directors of Listed Issuers ("Internal Control Guidance") issued by the Task Force on Internal Control in December 2012 with the support and endorsement of Bursa Malaysia.

Responsibility

The Board is responsible for the adequacy and effectiveness of the Group's system of risk management and internal control. The Management is responsible for the implementation of the Group's policies on internal control. Notwithstanding that, in view of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage rather than eliminate risks that may hinder the achievement of the Group's corporate objectives. Whilst pursuing these objectives, risk management and internal controls can only provide reasonable and not absolute assurance against material misstatement of management and financial information and records or against financial losses, fraud or any breach of laws and regulations.

Nature and Scope of Risk Management and Internal Control

The risk management and internal control approach has always been holistic and process-embedded, covering all aspects of the business and functional risk controls. These integrated controls are designed to mitigate both the internal and external risks which can be inherent or controllable in nature in order to optimize the Group's ability to achieve its corporate objectives. The organization's risk management process has been formalized via its enterprise-wide Risk Management Framework, which in the Board's opinion, provides an adequate and satisfactory mechanism for an on-going process of identification, evaluation, managing and monitoring of high and significant risks. In that regard, the Board acknowledges that the nature and scope of risk management and internal control of the Group is satisfactory and adequate in addressing its current principal risks. The Board reviews the risk management process on a regular basis to ensure proper management of risks and appropriate measures are taken to address any identified weaknesses.

Risk Management Framework

The governance of risk management is the responsibility of the Board and is carried out through the Audit and Risk Management Committee. This ensures that a sound risk management framework is maintained by Management towards upholding the shareholders' interest and company's assets. The Board also determines the extent of risk the Board is willing to take towards the achievement of strategic objectives and through the promulgation of its Risk Management Policy, a risk management framework was established. The Risk Management Committee ("RMC") was formed since April 2002 by the Board and comprises the Chief Executive Officer, Division Heads ("DH") and Heads of Department ("HOD"). The RMC reviews the management of the risk and effectiveness of controls towards effective risk mitigation and is also responsible for ensuring that the risk management framework is effectively implemented within the Group through the identification and management of risks.

Since 2012 an enhanced Enterprise-wide risk management ("ERM") framework has been incorporated within the organization to ensure a continuous and iterative process towards the enhancement of risk management across the organisation. This framework is focused on establishing a mechanism where risks are managed through internal controls and reduction of exposure whilst achieving the organization's vision and mission. A clear quantitative and qualitative measure for the assignment of risk rating is established and approved by the Board for the purpose of aligning the organization's risk tolerance for an effective risk management approach. This also provides a consistent and systematic approach for risk identification, risk measurement, evaluation of existing controls, development risk treatment and action plan, and also continuous monitoring to ensure compliance.

Risk Management Framework (Cont'd)

The approach for risk identification requires the establishment of the relationship of a risk and the source of risk against the vision, mission and strategic objectives of the organization. The inherent nature or controllable nature of risk is clearly established to identify the limitation of controls for the risk.

The measurement of risk takes into account the likelihood of occurrence and severity of impact based on the Board approved parameters which cover both the quantitative and qualitative aspect of business. This measurement allows assignment of a risk rating for the identified risk and the risk owner to take further action based on the level of risk.

Management of risk requires the identification of existing controls and evaluation of these controls. The risk itself is further reviewed considering the controls and a net risk rating is assigned based on the residual risk. Where necessary, management action plans are to be established to mitigate the identified risk. The management action plans are assigned to owners, given necessary deadlines and reviewed periodically. The RMC will determine the final treatment of residual risk.

Further monitoring and evaluation of risks are carried out from time-to-time to ensure that the controls remain relevant and the risks are monitored. The monitoring of risks, controls and management actions are updated and monitored using the ERM system.

The RMC Chairperson with the assistance of Risk Management consultants updates the Audit and Risk Management Committee on a quarterly basis with a summary report on the high and significant risks at corporate level and on the status of control measures and management action plans specified to address and mitigate the risks. The Board on its part meets to review and deliberate on the risk and control issues reported to them by the Audit and Risk Management Committee.

Key Elements of Internal Control

The key elements of the Group's internal control system are described below:

- The Audit and Risk Management Committee and the Board meet every quarter to discuss matters raised by Management on business and operational matters, including potential risks and control issues.
- Clearly defined delegation of responsibilities to the Board Committee and Management includes authority limits to minimize risks of unauthorized transactions. The Board has delegated the responsibilities to the relevant committees to implement and monitor the Board's policies on controls, e.g. capital expenditure has to be properly tendered and approved by the Tenders' Committee before any contracts are awarded.
- The Group has established an organization structure with clearly defined lines of accountability and appropriate
 degrees of empowerment, which enables adequate monitoring of the activities and ensures effective flow
 of information across the organization. Delegation of authority and appropriate authorization limits imposed
 at various levels of Management including those requiring the Board's approval are documented to ensure
 accountability and responsibility.
- Standard operating procedures ("SOP") and policies are developed to maintain a sound system of internal control and they are reviewed and revised, whenever the need arises, to meet the evolving business, operational, regulatory and statutory requirements.

Key Elements of Internal Control (Cont'd)

- Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), a wholly-owned subsidiary, has been certified with the ISO 9001:2008, ISO 14001:2004 (for 4 sites), OHSAS 18001:2007, MS ISO/IEC 17025:2005 Accreditation for the Sungai Dua Central Laboratory and MS ISO/IEC 27001:2013 for the Information Security Management System at the Sungai Dua Water Treatment Plant for which confirm the good standing of the organization's quality, environment, safety and information security management systems respectively.
- A detailed budgeting process is established, requiring all departments in the Group to prepare budgets annually
 including capital expenditure proposals, which are discussed and approved by the Board of Directors. A yearly
 review of the annual budget is undertaken to deliberate and, where appropriate, to address significant variances
 from the said budget.
- Ongoing training is provided to the organization's staff to improve their skills and work competencies.

The Internal Audit Function

The Board recognizes that the internal audit function is an important integral component of the governance process. The Internal Audit Department ("Internal Audit") performs internal audit in diverse areas comprising the management, financial and operational activities within the Group.

The principal responsibility of the Internal Audit function is to assist the Audit and Risk Management Committee in monitoring compliance with policies and procedures and the effectiveness and adequacy of the risk management and internal control systems in operation. The Internal Audit function undertakes a regular and systematic review of the internal controls of the various operational and administrative activities to provide the Audit and Risk Management Committee and the Board with a reasonable and independent assurance that the system of internal controls being implemented is effective in addressing the risks and concerns identified.

Review of this Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the 2015 Annual Report. This statement is reviewed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

The Group, in issuing this statement, has taken into consideration the scope of internal controls of PBAPP whilst excluding that of Pinang Water Limited, a joint venture, which is deemed to be immaterial to the Group.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer on the adequacy and effectiveness of the Group's risk management and internal control system. There has been no material loss incurred during the year as a result of weaknesses in internal control.

This statement is made in accordance with the resolution of the Board of Directors dated 14 April 2016.



1. Composition

The Audit and Risk Management Committee ("ARMC") comprises five (5) Non-Executive Directors, of whom four (4) are Independent Directors, as follows:-

Chairman: Puan Mary Geraldine Phipps (Note 1)

(Independent & Non-Executive Director)

Members: YBhg. Dato' Agatha Foo Tet Sin

(Senior Independent & Non-Executive Director)

YB Dato' Haji Mokhtar Bin Mohd Jait (Non-Independent & Non-Executive Director)

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff (Independent & Non-Executive Director)

Tuan Brian Tan Guan Hooi (Note 2) (Independent & Non-Executive Director)

The Chairman of the ARMC is a member of the Malaysian Institute of Accountants ("MIA").

Notes

Note 1 Puan Mary Geraldine Phipps was appointed as the Chairman of ARMC on 27 August 2015

Note 2 Tuan Brian Tan Guan Hooi was appointed as a member of ARMC on 26 November 2015.

2. Summary of the Terms of Reference

2.1 Objective

The principal objectives of the ARMC are to assist the Board of Directors ("the Board") in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries. In addition, the ARMC shall:

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group's control environment and quality of the audits.

2.2 Composition

The ARMC shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The Chairman and majority of the Committee members shall be independent directors and at least one (1) member of the ARMC must be:

- (i) a member of the MIA; or
- (ii) if he/she is not a member of the MIA, he/she must have at least three (3) years working experience; and
 - (a) he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - (b) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

2. Summary of the Terms of Reference (Cont'd)

2.2 Composition (Cont'd)

(iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

2.3 Meetings

Meetings shall be held not less than four (4) times a year. The quorum for the ARMC meeting shall be the majority of members present, of whom majority must be independent directors.

Upon request of the External Auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders. At least twice a year, the ARMC shall meet with the External Auditors without the presence of the management.

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, the head of internal audit and representatives of the external auditors shall normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the ARMC.

Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote.

The Company Secretary shall be the secretary of the ARMC.

2.4 Authority

The ARMC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- (a) have explicit authority to investigate any matter within its terms of reference, the resources required and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC.
- (b) have full and unlimited/unrestricted access to all information and documents/resources, which are required to perform its duties, as well as to the Internal and External Auditors and senior management of the Company and Group.
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity.
- (e) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities.

2.5 Duties and functions

The primary duties and functions of the ARMC are as follows:

1. To consider the suitability and independence of External Auditors for their appointment, the audit fee and any questions of resignation or dismissal of the External Auditors before making recommendation to the Board;

2. Summary of the Terms of Reference (Cont'd)

2.5 Duties and functions (Cont'd)

- 2. To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and to ensure co-ordination where more than one audit firm is involved;
- 3. To review with the External Auditors their evaluation of the system of internal controls and their audit report;
- 4. To review the quarterly and annual financial statements before submission to the Board, focusing particularly on:
 - a. the consistency of and any changes to the accounting policies and practices
 - b. major judgmental areas
 - c. significant adjustments resulting from the audit
 - d. the going concern assumption
 - e. compliance with accounting standards and legal requirements
- 5. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management, where necessary);
- 6. To review the External Auditors' management letter and management's response;
- 7. To do the following, in relation to the Internal Audit ("IA") function:
 - a. review the adequacy of the scope, functions, competency and resources of the IA function, and that it has the necessary authority to carry out its work;
 - b. review the IA programme and results of the IA process and, where necessary, ensure that appropriate actions are taken on the recommendations of the IA function;
 - c. review any appraisal or assessment of the performance of members of the IA function;
 - d. approve any appointment or termination of senior staff members of the IA function; and
 - e. take cognisance of resignations of IA staff and the reason for resigning.
- 8. To review the cost effectiveness, independence and objectivity of the External Auditors and recommend for the appointment/re-appointment of the External Auditors, the audit fee and any questions of resignation or dismissal of the External Auditors to the Board, to be put to shareholders for approval at the general meeting in relation to the appointment, re-appointment and dismissal of the Company's external auditors;
- 9. To establish policies governing the circumstances under which the contract in relation to the provision of non-audit services can be entered into by the Group with its External Auditors and procedures that need to be adhered;
- 10. To review the adequacy and effectiveness of risk management and internal control systems instituted within the Group;
- 11. To verify the allocation of the employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-law of ESOS of the Company, if any;
- 12. To review any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity;
- 13. To report its findings on the financial and management performance and other material matters to the Board:

2. Summary of the Terms of Reference (Cont'd)

2.5 Duties and functions (Cont'd)

- 14. To consider the major findings of internal investigations and management's response; and
- 15. To consider other functions as may be agreed to by the ARMC and the Board.

2.6 Reporting Procedures

Minutes of each meeting shall be distributed to each member of the ARMC. The ARMC Chairman shall report on each meeting to the Board.

The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

3. Attendance at ARMC Meetings

During the financial year ended 31 December 2015 ("FY 2015"), the ARMC met Eight (8) times with the following record of attendance:-

Name of the existing Committee Member	Attendance record
Puan Mary Geraldine Phipps	8 out of 8
YB Dato' Haji Mokhtar Bin Mohd Jait	8 out of 8
YBhg. Dato' Agatha Foo Tet Sin	7 out of 8
YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff	7 out of 8
Tuan Brian Tan Guan Hooi (appointed w.e.f. 26 November 2015)	Not applicable

Representatives of Senior Management and the Head of Internal Audit were in attendance during all the ARMC meetings. The External Auditors' representatives were invited to attend the meetings as and when required.

During two (2) of the meetings, the ARMC also held a private dialogue session with the External Auditors without the presence of the management.

4. Summary of Activities

The ARMC had carried out its duties in accordance with its terms of reference during FY 2015.

The main activities undertaken by the ARMC were as follows:-

Internal Audit

- Reviewed and approved the annual IA plan after being satisfied with the contents' suitability, adequacy and scope of coverage
- Reviewed the IA reports, which highlighted the audit issues, recommendations and management's response
- Reviewed the follow up reports by the Internal Auditors on the status of actions taken by the management on recommendations suggested in the IA reports
- Discussed with the management on actions taken to improve the systems of internal control based on the recommendations and findings identified in the IA reports

4. Summary of Activities (Cont'd)

External Auditors

- Reviewed the External Auditors:
 - i) The Audit Planning Memorandum and scope of works for the financial year
 - ii) The results of the audit, management letter together with the management's responses or comments to the findings.
- Made consideration and recommendation to the Board for approval of the audit fees payable to the External Auditors
- · Reviewed the independence and objectivity of the External Auditors and the services provided
- Made recommendations to the Board on the re-appointment of the External Auditors

Financial Results

- Reviewed with the management the quarterly financial results of the Group before recommending to the Board for their consideration and approval
- Reviewed with the External Auditors the annual audited financial statements of the Company and of the Group to ensure the said audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards before recommending to the Board for their consideration and approval

Corporate Governance

- Reviewed the related party transaction(s) of the Company and of the Group, if any
- Reviewed the impact of the relevant regulatory changes and ensured compliance by the Company and the Group
- Reviewed and recommended Statement on Risk Management and Internal Control and ARMC report to the Board for approval

Risk Management

- Reviewed and endorsed the risk management frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group
- Reviewed and endorsed the risk profiles for the Group
- Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks

5. Internal Audit (IA) Function

The IA function is carried out by the Group's own IA Department to assist the ARMC in the governance of the organization by performing the following fundamental activities:-

- Providing an independent review and reasonable assurance on the soundness and adequacy of the organization's risk management and control systems and making recommendations for improvements, where necessary
- Ascertaining compliance with established policies, directives and procedures; and
- Ascertaining accountability and safeguarding of the Group's assets

During the FY 2015, the Internal Auditors had carried out audits according to the IA plan which had been approved by the ARMC. The ARMC has full and direct access to Internal Auditors and received reports on all IA engagements performed.

The ARMC reviews the IA reports and directs the management for the necessary corrective actions and process improvements. The management is responsible for ensuring that the recommendations are implemented accordingly.

The total costs incurred for the IA function of the Company and the Group for the financial year was RM1,101,071.



Utilisation of Proceeds

There was no corporate exercise with proceeds from the shareholders during the financial year.

Share Buybacks

During the financial year ended 31 December 2015, the details of its ordinary shares of RM0.50 each ("Shares") bought back by the Company are as follows:-

	Buy Back Price Per Share (RM)		Average Cost	No. of Shares Bought Back &	Total
Monthly Breakdown	Lowest	Highest	Per Share (RM)	retained as Treasury Shares	Consideration* (RM)
Jun 2015	1.10	1.10	1.10	1,000	1,144.75
Dec 2015	1.30	1.30	1.30	1,000	1,332.09
Total				2,000	2,476.84

Note: *inclusive of transaction costs.

A total of 2,000 shares purchased by the Company were retained as treasury shares and no shares were resold or cancelled during the financial year. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. The repurchased transactions were financed by internally generated funds.

Options, Warrants or Convertible Securities

There were no issue or exercised of options, or convertible securities during the financial year.

Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial year.

Sanctions and / or Penalties

There were no public impositions of sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

The non-audit fees paid by the Group and by the Company to the external auditors and a company affiliated to the external auditors amounted to RM75,000 and RM4,000 respectively. Additionally, the Group paid non-audit fees of RM58,000 to another firm of auditors.

Variation in Results

There was no variation between the audited results for the financial year ended 31 December 2015 and the unaudited for the year ended 31 December 2015 of the Group as previously announced.

Profit Guarantee

The Company did not give any profit guarantee to any parties during the financial year.

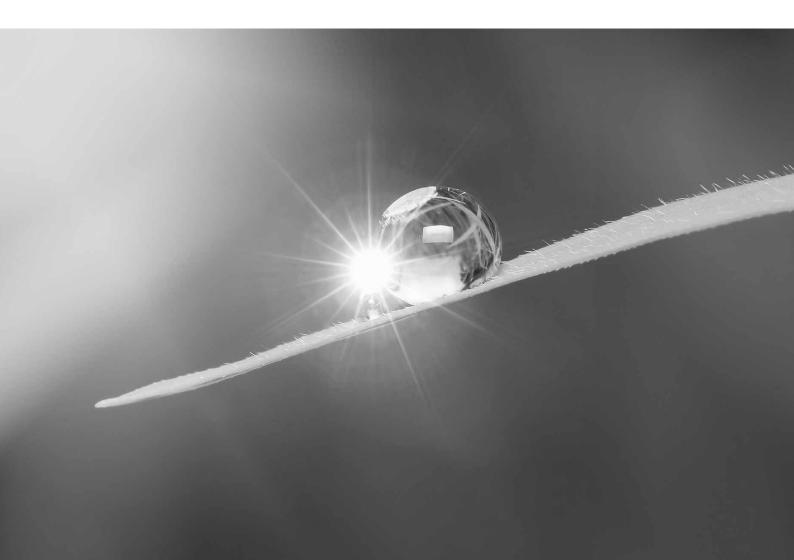
Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year 2015.

Financial Statements

118 - 120 Directors' Report
121 Directors' Statement / Statutory Declaration
122 - 123 Independent Auditors' Report
124 Statements Of Financial Position
125 - 126 Statements Of Comprehensive Income
127 - 128 Consolidated Statement Of Changes In Equity
129 Statement Of Changes In Equity

130 - 131 Statements Of Cash Flows
132 - 179 Notes To The Financial Statements
180 Supplementary Information





The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended **31 December 2015**.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after tax for the year	38,000	14,918

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended **31 December 2015** have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company has declared the following dividends:

- (i) a final single tier dividend of 2.00 sen per share amounting to RM6,620,000 in respect of the financial year ended 31 December 2014 paid on 24 July 2015; and
- (ii) a first interim single tier dividend of 1.75 sen per share amounting to RM5,793,000 in respect of the financial year ended 31 December 2015 payable on 8 January 2016.

A final single tier dividend of 2.00 sen per share amounting to RM6,620,000 for the financial year ended 31 December 2015 was recommended by the Directors subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

Directors' Report For The Financial Year Ended 31 December 2015 (Cont'd)

DIRECTORS

The directors who served since the date of the last report are as follows:

YAB Tuan Lim Guan Eng YB Dato' Mohd Rashid Bin Hasnon YB Prof. Dr. Ramasamy A/L Palanisamy YB Dato' Seri Farizan Bin Darus YB Dato' Mokhtar Bin Mohd Jait YB Dato' Abdul Malik Bin Abul Kassim YB Tuan Lim Hock Seng **YB Tuan Phee Boon Poh** YB Tuan Chow Kon Yeow (appointed on 22.2.2016) **Puan Mary Geraldine Phipps** YBhg. Dato' Agatha Foo Tet Sin YBhg. Dato' Athi Isvar A/L Athi Nahappan YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff Tuan Brian Tan Guan Hooi (appointed on 13.10.2015) Tuan Haji Mohamad Bin Sabu (resigned on 8.6.2015) YBhg. Dato' Syed Mohamad Bin Syed Murtaza (vacated office on 9.12.2015) YBhg. Dato' Chew Kong Seng (demised on 17.7.2015)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, none of the other directors who held office at 31 December 2015 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Directors' Report For The Financial Year Ended 31 December 2015 (Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

At the date of this report, the directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the

Group and in the Company inadequate to any substantial extent, and

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the

Company misleading, and

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading,

and

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group

and of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year

which secures the liabilities of any other persons, and

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial

year.

No contingent liability or other liability of the Group and of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of

the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations

as and when they fall due.

AUDITORS

The auditors, **Grant Thornton**, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

Dato' Seri Farizan Bin Darus

Dato' Mokhtar Bin Mohd Jait

Penang,

Date: 14 April 2016



In the opinion of the directors, the financial statements set out on pages 124 to 179 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2015** and of their financial performance and cash flows for the financial year then ended.

In the opinion of the directors, the supplementary information set out on page 180 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed in accordance with a resolution of	the directors:
Dato' Seri Farizan Bin Darus	 Dato' Mokhtar Bin Mohd Jait
Date: 14 April 2016	
Statu	tory Declaration
solemnly and sincerely declare that the finformation set out on page 180 are to	narily responsible for the financial management of PBA Holdings Bhd. do financial statements set out on pages 124 to 179 and the supplementary of the best of my knowledge and belief, correct and I make this solemn same to be true and by virtue of the provisions of the Statutory Declarations
Subscribed and solemnly declared by the above named at Penang, this 14th day of April 2016 .)))
Before me,	Dr. Mary Ann Harris

Goh Suan Bee No. P125 Commissioner for Oaths



Report on the Financial Statements

We have audited the financial statements of **PBA Holdings Bhd.**, which comprise the statements of financial position as at **31 December 2015** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 124 to 179.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2015** and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Independent Auditors' Report To The Members Of PBA Holdings Bhd. (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act,
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes, and
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 180 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton No. AF: 0042 Chartered Accountants John Lau Tiang Hua, DJN No. 1107/03/18 (J) Chartered Accountant

Date: 14 April 2016

Penang



Statements Of Financial Position

As At 31 December 2015

		GR	OUP	COMPANY		
		2015	2014	2015	2014	
	NOTE	RM'000	RM'000	RM'000	RM'000	
ASSETS						
Non-current assets						
Property, plant and equipment	4	924,510	871,905	73	18	
Investment in joint venture	5	5,009	3,071	-	-	
Investment in subsidiaries	6	-	-	266,793	266,793	
Other investments	7	2,439	10,501	-		
		931,958	885,477	266,866	266,811	
Current assets						
Inventories	8	7,690	8,971	-	-	
Trade and other receivables	9	61,492	44,430	120,190	117,546	
Current tax assets		2,143	1,301	-	-	
Cash and cash equivalents	10	51,740	53,200	7,022	7,243	
		123,065	107,902	127,212	124,789	
TOTAL ASSETS		1,055,023	993,379	394,078	391,600	
EQUITY AND LIABILITIES						
Share capital	11	165,635	165,635	165,635	165,635	
Reserves	12	588,128	561,916	222,385	219,882	
Total equity		753,763	727,551	388,020	385,517	
Non-current liabilities						
Loans and borrowings	13	24,835	16,416	_	-	
Deferred income	14	58,995	48,093	-	-	
Deferred liabilities	15	63,148	64,743	-	-	
Deferred tax liabilities	16	5,490	, -	-	-	
		152,468	129,252	-		
Current liabilities			·			
Deferred liabilities	15	1,595	1,595	-	-	
Trade and other payables	17	147,197	, 134,981	6,058	6,083	
		148,792	136,576	6,058	6,083	
Total liabilities		301,260	265,828	6,058	6,083	
TOTAL EQUITY AND LIABILITIES		1,055,023	993,379	394,078	391,600	



Statements Of Comprehensive Income

For The Financial Year Ended 31 December 2015

		GROUP		COMPANY		
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
Revenue	18	300,325	261,017	16,790	16,765	
Cost of sales	_	(207,119)	(195,603)	-	-	
Gross profit		93,206	65,414	16,790	16,765	
Other operating income		11,245	16,853	9	19	
Administrative expenses	-	(60,632)	(58,101)	(1,817)	(4,430)	
Operating profit	19	43,819	24,166	14,982	12,354	
Interest income		742	1,165	-	-	
Share of profit of equity-accounted joint venture, net of tax	-	209	303	<u>-</u>		
Profit before tax		44,770	25,634	14,982	12,354	
Tax expense	20	(6,770)	(875)	(64)	(64)	
Profit for the year	_	38,000	24,759	14,918	12,290	

Statements Of Comprehensive Income For The Financial Year Ended 31 December 2015 (Cont'd)

		GROUP		COMPANY		
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
Profit for the year		38,000	24,759	14,918	12,290	
Other comprehensive income/(loss), net of tax:						
Items that will be reclassified subsequently to profit or loss:	_					
Foreign currency translation differences for foreign operation		1,750	542	-	-	
Fair value of available-for-sale financial assets		(1,123)	(2,082)	-	-	
Total other comprehensive income/(loss) for the year	_	627	(1,540)	-		
Total comprehensive income for the year	_	38,627	23,219	14,918	12,290	
Profit for the year attributable to owners of the Company	_	38,000	24,759	14,918	12,290	
Total comprehensive income for the year attributable to owners of the Company	_	38,627	23,219	14,918	12,290	
Earnings per share (sen)	21					
- Basic	_	11.48	7.48	-	-	
- Diluted	_	-	-	-	-	



Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2015

				Non-d	istributable	I	Distributable	
						Foreign Currency		
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
2015								
Balance at beginning		165,635	(226)	161,944	1,325	1,149	397,724	727,551
Foreign currency translation differences for foreign operation		-	-	-	-	1,750	-	1,750
Fair value of available-for- sale financial assets				<u>-</u>	(1,123)	-	-	(1,123)
Total other comprehensive income for the year		-	-	-	(1,123)	1,750	-	627
Profit for the year		-	_		-		38,000	38,000
Total comprehensive income for the year		-	-	-	(1,123)	1,750	38,000	38,627
Transactions with owners of the Company:								
Dividends	22	-	-	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	12.2	-	(2)	-	-	-	-	(2)
Total transactions with owners of the Company	-		(2)		-	-	(12,413)	(12,415)
Balance at end		165,635	(228)	161,944	202	2,899	423,311	753,763

Consolidated Statement Of Changes In Equity For The Financial Year Ended 31 December 2015 (Cont'd)

				Non-di	stributable		Distributable	
2014	NOTE	Share Capital RM'000	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
Balance at beginning		165,635	(223)	161,944	3,407	607	385,378	716,748
Foreign currency translation differences for foreign operation		-	-	-	-	542	-	542
Fair value of available-for- sale financial assets		<u>-</u>		-	(2,082)	-		(2,082)
Total other comprehensive loss for the year		-	-	-	(2,082)	542	-	(1,540)
Profit for the year		-		-	<u>-</u>	-	24,759	24,759
Total comprehensive income for the year		-	-	-	(2,082)	542	24,759	23,219
Transactions with owners of the Company:								
Dividends	22	-	-	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	12.2	-	(3)	-	-	-		(3)
Total transactions with owners of the Company			(3)	-	-	-	(12,413)	(12,416)
Balance at end		165,635	(226)	161,944	1,325	1,149	397,724	727,551

The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS") of RM0.50 each. Refer to Note 11 to the financial statements for details of the terms and rights attached to the SRRPS.



Statement Of Changes In Equity

For The Financial Year Ended 31 December 2015

			Non-distr	ibutable	Distributable	
	NOTE	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Retained Earnings RM'000	Total Equity RM'000
2015						
Balance at beginning		165,635	(226)	161,944	58,164	385,517
Net profit, representing total comprehensive income for the year		-		-	14,918	14,918
Transactions with owners of the Company:						
Dividends	22	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	12.2	-	(2)		-	(2)
Total transactions with owners of the Company			(2)	<u>-</u>	(12,413)	(12,415)
Balance at end		165,635	(228)	161,944	60,669	388,020
2014						
Balance at beginning		165,635	(223)	161,944	58,287	385,643
Net profit, representing total comprehensive income for the year		-	-	-	12,290	12,290
Transactions with owners of the Company:						
Dividends	22	-	-	-	(12,413)	(12,413)
Purchase of treasury shares	12.2	-	(3)		-	(3)
Purchase of treasury shares Total transactions with owners of the Company	12.2	-	(3)	-	(12,413)	(3)

The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS") of RM0.50 each. Refer to Note 11 to the financial statements for details of the terms and rights attached to the SRRPS.



Statements Of Cash Flows

For The Financial Year Ended 31 December 2015

		GRO	OUP	COMPANY		
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		44,770	25,634	14,982	12,354	
Adjustments for:						
Amortisation of deferred income		(756)	(5,802)	-	-	
Amortisation of deferred liabilities		(1,595)	(1,595)	-	-	
Bad debts		-	-	-	2,618	
Depreciation of property, plant and						
equipment		56,288	52,190	31	8	
Dividend income		(139)	(330)	(16,511)	(16,511)	
Gain on disposal of other investments		(1,633)	(1,750)	-	-	
Gain on disposal of property, plant			/1 2 F\			
and equipment		-	(125)	-	-	
Impairment loss on investment in a subsidiary		-	-	-	100	
Impairment loss on property, plant an	d					
equipment		6,277	-	-	-	
Impairment loss on receivables, net		1,558	290	-	-	
Interest income		(1,021)	(1,419)	(279)	(254)	
Inventories written down		-	2,321	-	-	
Property, plant and equipment written off		1,471	940	-	-	
Reversal of impairment loss on other			()			
investments		(236)	(117)	-	-	
Share of profit of joint venture	_	(209)	(303)	-		
Operating profit/(loss) before working						
capital changes		104,775	69,934	(1,777)	(1,685)	
Inventories		1,281	809	-	-	
Trade and other receivables		(18,620)	(151)	13,867	14,064	
Trade and other payables	_	12,216	(6,663)	(18)	(19)	
Cash generated from operations		99,652	63,929	12,072	12,360	
Income tax paid		(2,105)	(2,383)	(71)	(57)	
Income tax refunded	_	4	2,512	•	· , ,	
Net cash from operating activities		97,551	64,058	12,001	12,303	

		GR	OUP	COM	IPANY
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net cash from operating activities		97,551	64,058	12,001	12,303
CASH FLOWS FROM INVESTING ACTIVITIES	_				
Dividend received		139	327	-	-
Interest received		1,021	1,419	279	254
Proceeds from disposal of other investments Proceeds from disposal of property, plant		14,188	25,107	-	-
and equipment		-	114	-	-
Purchase of other investments		(5,380)	(11,547)	<u>-</u>	-
Purchase of property, plant and equipment	A	(110,564)	(77,108)	(86)	(7)
Net cash (used in)/from investing activities	_	(100,596)	(61,688)	193	247
		(3,045)	2,370	12,194	12,550
CASH FLOWS FROM FINANCING ACTIVITIES	_				
Dividends paid		(12,413)	(12,413)	(12,413)	(12,413)
Government loans received		14,000	10,851	-	-
Purchase of treasury shares	L	(2)	(3)	(2)	(3)
Net cash from/(used in) financing activities	_	1,585	(1,565)	(12,415)	(12,416)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,460)	805	(221)	134
CASH AND CASH EQUIVALENTS AT BEGINNING		53,200	52,395	7,243	7,109
CACH AND CACH FOUNTALENTS AT END	-				
CASH AND CASH EQUIVALENTS AT END	В _	51,740	53,200	7,022	7,243
NOTE					
A. Purchase of property, plant and equipm	nent				
			OUP		1PANY
		2015 RM'000	2014 RM'000	2015 RM′000	2014 RM'000
Total acquisition cost		116,641	86,694	86	7
Less: Assets transferred from customers	5 _	(6,077)	(9,586)	<u>.</u>	
Total cash acquisition	_	110,564	77,108	86	7
	_				

B. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise cash and cash equivalents as shown in Note 10 to the financial statements.

1. CORPORATE INFORMATION

General

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

The registered office and principal place of business is located at Level 32, Komtar, 10000 Penang.

The consolidated financial statements of the Company for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (collectively referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in joint venture. The financial statements of the Company for the financial year ended 31 December 2015 do not include other entities.

The controlling shareholder of the Company is the State Secretary, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 April 2016.

Principal Activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies as set out in Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

2.2 Basis of Measurement (Cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2.4 Adoption of Amendments/Improvements to MFRS

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following standards that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions Annual improvements to MFRS 2010-2012 Cycle Annual improvements to MFRS 2011-2013 Cycle

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company.

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Company:

Effective for annual periods beginning on or after 1 January 2016

MFRS 14 Regulatory Deferral Accounts

MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception

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

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

Amendments to MFRS 127 Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012-2014 Cycle

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from Contracts with Customers
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 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.

The adoption of *MFRS 15* will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting *MFRS 15*.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements.

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

Plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the plant and equipment to be 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and equipment. Therefore, future depreciation charges could be revised.

(ii) Impairment of plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of the plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Inventories

The management reviews for slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(iv) Impairment of investment securities

The Group reviews its investment securities and assesses at each financial year end whether there is any objective evidence that the investment is impaired. If there are indicators or objective evidence, the investment securities are subject to impairment review.

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.2 Key sources of estimation uncertainty (Cont'd)

(iv) Impairment of investment securities (Cont'd)

The impairment review comprises the following judgement made by management.

- (i) Determination of whether its investment security is impaired following certain indicators such as, amongst others prolonged decline in fair value, significant financial difficulties of the issuers or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors.
- (ii) Determination of "significant" and "prolonged" requires judgement and management evaluation on various factors, such as historical fair value movement and the significant reduction in fair value.

(v) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over their financial and operating activities so as to obtain benefits therefrom.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

3.1 Subsidiaries and Basis of Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserve.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1 Subsidiaries and Basis of Consolidation (Cont'd)

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group has rights to the assets and obligations for the liabilities relating to an arrangement. The Group account for its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method.

Investment in joint venture is stated at cost less impairment losses in the Company's statement of financial position, unless the investment is classified as held for sale or distribution.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted joint venture are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost except for assets transferred from customers (see Note 3.3) which are stated at fair value, less accumulated depreciation and any accumulated impairment losses.

3.2 Property, Plant and Equipment (Cont'd)

(i) Recognition and measurement (Cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "administrative expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates for the current and comparative periods are as follows:

	%
Leasehold land	1 - 2
Buildings and building improvements	2
Reservoirs	2
Plant and machinery	2 - 10
Motor vehicles	20
Equipment and furniture	10 - 33.33

3.2 Property, Plant and Equipment (Cont'd)

(iii) Depreciation (Cont'd)

Property, plant and equipment of a subsidiary which were acquired from Badan Kawal Selia Air (BKSA) upon its corporatisation on 1 March 1999 are depreciated over their remaining useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

3.3 Customers' Contributions

The Group receives contributions from its customers, items of property, plant and equipment ("transferred assets") that are used to connect those customers to a network and provide them with ongoing access to water supply. On initial recognition, IC Int 18 Transfer of Assets from Customers requires that such transferred assets are recognised as property, plant and equipment in accordance with MFRS 116 Property, Plant and Equipment and are measured at their fair values, whilst the corresponding amount as deferred income and amortised over a period not longer than the useful lives of the transferred assets.

The transferred assets consist of mains, freehold and leasehold land. The depreciation of mains and leasehold land and the amortisation of deferred income are recognised over the estimated useful lives of the transferred assets, ranging from 50 years to 99 years. Freehold land is not depreciated as it has an infinite life and income is recognised immediately in profit or loss in the year of the transfer.

3.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

3.4 Leases (Cont'd)

Operating Leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

3.5 Financial Instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issuance of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(b) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

3.5 Financial Instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

(b) Available-for-sale financial assets (Cont'd)

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

Financial liabilities are classified as current liabilities, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iv) Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 Impairment

(i) Financial assets

All financial assets (except for investments in subsidiaries and joint venture) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

3.6 Impairment (Cont'd)

(ii) Other assets (Cont'd)

The recoverable amount of an asset of cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.9 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

3.10 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.11 Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not re-measured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Special rights redeemable preference share

The special rights redeemable preference share ("SRRPS") would enable the State Government of Penang through State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder, may subject to the provisions of the Companies Act, 1965, requires the Company to redeem the SRRPS at par at any time. Other rights and restrictions attached to the SRRPS are set out in Article 17 of the Company's Articles of Association.

(iv) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

3.12 Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly in other comprehensive income.

(ii) Foreign Operations

The assets and liabilities of foreign operations are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the exchange difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, the significant influence or joint control is lost, the cumulative amount in the FCTR related to the foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

3.13 Revenue and Other Income

(i) Sale of water

Revenue from water supplied to consumers are recognised when invoiced and upon services being rendered.

(ii) Contribution for trunk mains

Contribution for trunk mains is recognised as income when invoiced and upon services being rendered.

(iii) Sales from training facilities and education business

Revenue is recognised when invoiced and upon services being rendered.

(iv) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(v) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.14 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

3.14 Income Tax (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available to set-off against the unutilised tax incentives.

3.15 Goods and Services Tax

Goods and Services Tax ("GST") is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which
 case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item
 as applicable; and
- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.16 Employee Benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profitsharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.16 Employee Benefits (Cont'd)

(ii) State plans

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

3.17 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3.18 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make the decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.19 Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

PROPERTY, PLANT AND EQUIPMENT

ROUP

	IAt f	At fair value				-At cost				
	-	Plant	_	Buildings and		Plant	Motor	Equipment	Capital work-in-	
2015	Land RM′000	machinery RM'000	Land RM′000	improvements RM'000	Reservoirs RM'000	machinery RM′000	vehicles RM'000	furniture RM'000	progress RM′000	Total RM'000
Cost										
Balance at beginning	7,327	35,401	31,422	80,091	86,744	926,512	15,958	59,138	83,635	1,326,228
Additions	•	6,077	25	•	•	6,447	•	90	104,002	116,641
Written off	•	•	•	(216)	•	(1,917)	(296)	(275)	(941)	(3,945)
Reclassification	•		5,758	339	626'6	67,251	118	6,826	(90,231)	
Balance at end	7,327	41,478	37,205	80,214	96,683	998,293	15,480	65,779	96,465	1,438,924
Accumulated depreciation										
Balance at beginning	œ	1,265	3,081	18,952	18,249	345,001	13,968	49,430	•	449,954
Current charge	4	751	243	1,599	2,105	43,870	702	7,014	•	56,288
Written off	•			(36)		(1,656)	(296)	(186)		(2,474)
Balance at end	12	2,016	3,324	20,515	20,354	387,215	14,074	56,258		503,768
Accumulated impairment loss										
Balance at beginning	•	•	1,419	•	•	2,950	•	•	•	4,369
Current charge			•	3,768		2,509				6,277
Balance at end		·	1,419	3,768	'	5,459	·	,	•	10,646
Carrying amount	7,315	39,462	32,462	55,931	76,329	605,619	1,406	9,521	96,465	924,510

PROPERTY, PLANT AND EQUIPMENT (CONT'D)

4

۵	
\supset	
0	
2	

	At fa	——At fair value—— Plant and machinery	 	Buildings and building improvements	Reservoirs	-At cost Plant and machinery	Motor	Equipment and furniture	Capital work-in-	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM′000
Cost										
Balance at beginning	2,200	30,942	26,082	80,067	76,160	862,848	15,808	54,060	94,822	1,242,989
Additions	5,127	4,459	•	19	ı	4,422	' (462	72,205	86,694
Disposals/Written off Reclassification			5,340	. rv	10,584	(1,223) 60,465	(5)	(1,313) 5,929	(914) (82,478)	(3,455)
Balance at end	7,327	35,401	31,422	80,091	86,744	926,512	15,958	59,138	83,635	1,326,228
Accumulated depreciation										
Balance at beginning	4	594	2,888	17,332	16,377	302,673	12,797	46,716	1	399,381
Current charge	4	671	193	1,620	1,872	42,707	1,176	3,947	•	52,190
Disposals/Written off	1					(379)	(5)	(1,233)	1	(1,617)
Balance at end	∞	1,265	3,081	18,952	18,249	345,001	13,968	49,430		449,954
Accumulated impairment loss										
Balance at beginning		1	1,419		1	3,859	1	,	ı	5,278
Disposals/Written off	1		-			(606)	-		1	(606)
Balance at end			1,419	1		2,950	,		'	4,369
Carrying amount	7,319	34,136	26,922	61,139	68,495	578,561	1,990	802'6	83,635	871,905

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(i) Included in the carrying amounts of land are:

	GR	OUP
	2015 RM'000	2014 RM'000
Freehold land Leasehold land with unexpired lease period of more than 50 years	17,739 22,038	17,736 16,505
	39,777	34,241

- (ii) Certain freehold land and leasehold land of the Group with carrying amounts of **RM186,000** (2014: RM186,000) and **RM26,000** (2014: RM26,000) respectively are in the process of being registered under the name of a subsidiary.
- (iii) Fair value measurement of property, plant and equipment are categorised as follows:

GROUP

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Land	-	7,315	-	7,315
Plant and machinery	-	39,462	-	39,462
	-	46,777	-	46,777
2014				
Land	-	7,319	-	7,319
Plant and machinery	-	34,136	-	34,136
	-	41,455	-	41,455

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 during the financial year.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the property, plant and equipment, either directly or indirectly.

Level 2 fair values of the land are derived from market price obtained from the relevant authorities, whilst fair values of the mains are generally derived from suppliers' quotations for similar items.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Equipment and	d furniture
	2015	2014
	RM'000	RM'000
At cost		
Balance at beginning	124	117
Additions	86	7
Written off	(1)	-
Balance at end	209	124
Accumulated depreciation		
Balance at beginning	106	98
Current charge	31	8
Written off	(1)	-
Balance at end	136	106
		_
Carrying amount	73	18

5. INVESTMENT IN JOINT VENTURE

	GRO	OUP	COM	PANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	*	*	*	*
Share of post-acquisition reserve	5,009	3,071	-	-
	5,009	3,071	*	*

^{*} RM99

Details of the joint venture which is incorporated in Federal Territory of Labuan, Malaysia are as follows:

Name of entity	Effective equ	ity interest	Principal activities
	2015 %	2014 %	
Pinang Water Limited ("PWL")	26	26	Constructing water-infrastructure projects, water treatment, management and supply of treated water for government, industries, commercial and domestic consumers.

5. INVESTMENT IN JOINT VENTURE (CONT'D)

The following shows the summarised financial information of PWL and a reconciliation of the summarised financial information to the carrying amount of the Group's interest in PWL, which is accounted for using the equity method.

	2015 RM'000	2014 RM'000
Summarised financial information		
As at 31 December		
Assets and liabilities		
Non-current assets Current assets	28,561 14,324	25,791 10,175
Current assets	14,324	10,175
Total assets	42,885	35,966
Current liabilities, representing total liabilities	(23,621)	(24,152)
Year ended 31 December		
Results		
Profit for the year	805 6,731	1,165
Other comprehensive income	0,731	2,085
Total comprehensive income	7,536	3,250
Included in the total comprehensive income are:		
Revenue	9,360	6,791
Depreciation and amortisation Interest income	90 11	1,160 6
Interest income	235	95
Income tax expense	104	20
Reconciliation of net assets to carrying amount as at 31 December		
Carrying amount - Group's share of net assets	5,009	3,071
Group's share of results for the year ended 31 December		
Group's share of profit	209	303
Group's share of other comprehensive income	1,750	542
Group's share of total comprehensive income	1,959	845

Contingent liabilities and capital commitments

The joint venture has no contingent liabilities or capital commitments as at the end of the reporting period.

6. INVESTMENT IN SUBSIDIARIES

	СОМ	PANY
	2015 RM'000	2014 RM'000
Unquoted shares, at cost Share-based payments allocated to subsidiaries	266,025 868	266,025 868
Less: Impairment loss	(100)	(100)
	266,793	266,793

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows:

Name of entity	Effective equ 2015 %	uity interest 2014 %	Principal activities
Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.	100	100	Water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers.
PBA Resources Sdn. Bhd.	100	100	Providing training facilities, education and other non-water related businesses.
Island Springwater Sdn. Bhd.	100	100	Dormant.

7. OTHER INVESTMENTS

These investments are managed by external fund management companies in accordance with the terms of the Investment Management Mandate. As at the end of the reporting period, the funds were invested as follows:

	GR	OUP
	2015 RM'000	2014 RM'000
Available-for-sale financial assets		
Quoted investments in Malaysia	1,170	8,690
Less: Impairment loss		(236)
	1,170	8,454
Loans and receivables		
Money market placement	1,269	2,047
	2,439	10,501
Representing items:		
At cost	1,269	2,047
At fair value	1,170	8,454
	2,439	10,501
Market value of quoted investments	1,170	8,454

7. OTHER INVESTMENTS (CONT'D)

The movement of allowance for impairment loss during the financial year is as follows:

	GROUP	
	2015 RM'000	2014 RM'000
Balance at beginning	236	353
Reversal upon disposal	(236)	(117)
Balance at end		236

8. INVENTORIES

	GR	OUP
	2015 RM'000	2014 RM'000
Spare parts and consumables	7,165	8,407
Chemicals	525	564
	7,690	8,971
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,466	9,526
Inventories written down		2,321

9. TRADE AND OTHER RECEIVABLES

		GR	OUP	CON	/IPANY
	NOTE	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables					
Third parties		40,513	28,806	-	-
Less: Allowance for impairment	_	(9,117)	(7,621)	-	
Trade receivables, net	9.1 _	31,396	21,185	-	-
Other receivables					
Third parties		7,139	6,397	370	864
Less: Allowance for impairment		(1,972)	(1,981)	-	-
Sundry receivables, net	9.2	5,167	4,416	370	864
GST receivable		854	-	-	-
Refundable deposits		12,826	12,596	-	-
Prepayments		5,065	49	-	-
Amount due from subsidiaries	9.3	-	-	113,636	110,498
Amount due from joint venture	9.4	6,184	6,184	6,184	6,184
	_	30,096	23,245	120,190	117,546
Total trade and other receivables	_	61,492	44,430	120,190	117,546

9.1 Trade receivables

The Group's credit policy provides trade receivables with a **30 days** (2014: 30 days) credit period. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The movement of allowance for impairment is as follows:

	GROUP	
	2015 RM'000	2014 RM'000
Balance at beginning	7,621	8,315
Current year	1,621	420
Recovered	(70)	(76)
Written off	(55)	(1,038)
Balance at end	9,117	7,621

9. TRADE AND OTHER RECEIVABLES (CONT'D)

9.2 Sundry receivables

The movement of allowance for impairment is as follows:

	GRO	GROUP	
	2015	2014	
	RM'000	RM'000	
Balance at beginning	1,981	2,193	
Current year	63	270	
Reversal of impairment loss	-	(400)	
Recovered	(72)	(74)	
Written off	-	(8)	
Balance at end	1,972	1,981	

9.3 Amount due from subsidiaries

The amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and is repayable on demand.

9.4 Amount due from joint venture

The amount due from joint venture is non-trade related, unsecured, non-interest bearing and is repayable on demand. The non-trade amount comprises shareholder's advances and payments made on behalf.

10. CASH AND CASH EQUIVALENTS

	GR	OUP	CON	/IPANY
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	17,127	10,831	22	243
Short-term deposits with licensed banks	34,613	42,369	7,000	7,000
	51,740	53,200	7,022	7,243

11. SHARE CAPITAL

	2015		2014	
	Number		Number	
	of shares	Amount	of shares	Amount
	('000)	RM'000	('000)	RM'000
Authorised:				
Special rights redeemable preference share				
("SRRPS") of RM0.50 each	*	**	*	**
Ordinary shares of RM0.50 each	1,000,000	500,000	1,000,000	500,000
	1,000,000	500,000	1,000,000	500,000
Issued and fully paid:				
Special rights redeemable preference share				
("SRRPS") of RM0.50 each	*	**	*	**
Ordinary shares of RM0.50 each	331,271	165,635	331,271	165,635
	331,271	165,635	331,271	165,635

^{* 1} SRRPS

The SRRPS would enable the State Government of Penang through the State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder may, subject to the provisions of the Companies Act, 1965, require the Company to redeem the SRRPS at par at any time. Other rights and restrictions attached to the SRRPS are set out in Article 17 of the Company's Articles of Association.

12. RESERVES

		GR	OUP	COM	PANY
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Distributable					
Retained earnings	12.1	423,311	397,724	60,669	58,164
Non-distributable					
Share premium		161,944	161,944	161,944	161,944
Treasury shares	12.2	(228)	(226)	(228)	(226)
Foreign currency translation reserve	12.3	2,899	1,149	-	-
Fair value reserve	12.4	202	1,325	-	-
	_	164,817	164,192	161,716	161,718
	_	588,128	561,916	222,385	219,882

^{**} RM0.50

12. RESERVES (CONT'D)

12.1 Retained earnings

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained earnings.

12.2 Treasury shares

The shareholders of the Company in the Annual General Meeting held on 28 May 2015, approved the Company's plan to purchase up to 10% of its issued and paid-up share capital of ordinary shares with par value of RM0.50 each.

During the financial year ended 31 December 2015, the Company repurchased 2,000 of its issued and paid-up ordinary shares from the open market.

Number of shares	Purchase price RM	Consideration RM'000	Transaction cost RM'000	Total consideration RM'000
1,000	1.10	1	-	1
1,000	1.30	1	-	1

For the financial year ended 31 December 2014, the Company repurchased 2,000 of its issued and paidup ordinary shares from the open market. The average price paid for the shares repurchased was RM1.35 per share.

The shares repurchased were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Of the total 331,270,401 issued and paid-up ordinary shares of RM0.50 each as at 31 December 2015, **265,900** (2014: 263,900) ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue is therefore **331,004,501** (2014: 331,006,501) ordinary shares of RM0.50 each.

12.3 Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of financial statements of the joint venture whose functional currency is other than RM.

12.4 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

13. LOANS AND BORROWINGS

	GROUP	
	2015 RM'000	2014 RM'000
Nominal value of loan	44,000	30,000
Less: Deemed interest recognised as deferred income (Note 14.1) Add: Amortised interest	(20,460) 1,295	(14,198) 614
	24,835	16,416

A subsidiary of the Company had on 16 January 2012 obtained a term loan of RM20 million (Term Loan I) from the Federal Government via the State Government of Penang to finance Non Revenue Water projects. On 24 October 2014, the subsidiary obtained another term loan of RM24 million (Term Loan II) from the Federal Government via the State Government of Penang for the same purpose. Term Loan I and II are unsecured, interest free and are repayable over 20 years, with effect from 14 September 2016 and 10 December 2018 respectively.

The loan drawdown during the financial year amounted to RM14,000,000 (2014: RM10,851,000).

14. DEFERRED INCOME

		GROUP	
		2015	2014
	Note	RM'000	RM'000
Interest free term loan obtained from the Federal Government via the State Government of Penang	14.1		
Balance at beginning		13,584	8,869
Transfer from loans and borrowings		6,876	5,329
		20,460	14,198
Less: Amortisation		(1,295)	(614)
Balance at end		19,165	13,584
Transfer of assets from customers	14.2		
Balance at beginning		34,509	30,726
Additions during the year		6,077	9,585
Less: Amortisation		(756)	(5,802)
Balance at end		39,830	34,509
Total deferred income	,	58,995	48,093

14. DEFERRED INCOME (CONT'D)

- 14.1 This is in respect of the difference between the nominal value of the interest free term loans obtained from the Federal Government via the State Government of Penang to finance Non Revenue Water projects and the fair value of the loans measured on initial recognition. The deferred income is amortised over the period from the initial drawdown date of the loans up to the maturity date of the loans.
- 14.2 This is in respect of the fair values of assets transferred from customers which consist of mains and land upon initial recognition. Subsequent to initial recognition, the deferred income is amortised over the useful lives of these assets, ranging from 50 years to 99 years.

15. DEFERRED LIABILITIES

	GR	GROUP	
	2015 RM'000	2014 RM'000	
Non-current	63,148	64,743	
Current	1,595	1,595	
	64,743	66,338	

Pursuant to migration of the Penang State Water Assets and the loans to Pengurusan Aset Air Berhad (PAAB) in the financial year 2011, a subsidiary 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. Further details of the operating lease are disclosed in Note 23 to the financial statements.

Following the above events, the outstanding balance of the term 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. During the financial year, **RM1,595,000** (2014: RM1,595,000) was amortised and applied against the lease expense attributable to the FLA.

16. DEFERRED TAX LIABILITIES

	GROUP	
	2015 RM'000	2014 RM'000
Recognised in profit or loss (Note 20)	5,490	-
The deferred tax liabilities recognised are represented by taxable temporary dif	ferences arising fro	om:
	GR	OUP
	2015 RM'000	2014 RM'000
- Property, plant and equipment	113,982	-
- Contribution for trunk mains	7,866	-
- Unutilised reinvestment allowance	(113,260)	-
- Other items	(3,098)	-
	5,490	-

17. TRADE AND OTHER PAYABLES

		GROUP		СОМ	PANY
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		6,348	4,101	-	-
Non-trade					
Other payables and accruals	17.1	47,827	47,318	265	290
GST payable		5	-	-	-
Dividend payable		5,793	5,793	5,793	5,793
Refundable deposits	17.2	87,224	77,769	-	-
		140,849	130,880	6,058	6,083
	_				
Total trade and other payables		147,197	134,981	6,058	6,083

17. TRADE AND OTHER PAYABLES (CONT'D)

17.1 Other payables and accruals

GROUP

Included in the Group's other payables is an amount of **RM Nil** (2014: RM451,000) in respect of advances received from BKSA less payments made on their behalf in relation to certain water resource projects undertaken previously.

GROUP AND COMPANY

Included in the Group's and the Company's other payables is an amount of **RM6,911,000** (2014: RM7,089,000) and **RM30,000** (2014: RM30,000) respectively, payable to employees of the Group and of the Company pursuant to the establishment of the Employees Provident Top-Up Plan (the Plan) on 1 January 2011 to replace the terminated unfunded defined benefit scheme. The Plan is payable to the employees over five years with effect from 1 January 2011.

17.2 Refundable deposits

Refundable deposits comprise mainly water supply deposits, reticulation mains deposits, security deposits and pipe maintenance deposits received from customers.

18. REVENUE

	GROUP		COM	IPANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
	Will 600	MIVI GGG		
Gross dividend from a subsidiary	-	-	16,511	16,511
Interest income	279	254	279	254
Sale of water	286,805	246,596	-	-
Contribution for trunk mains	13,147	13,796	-	-
Sales from training facilities business	3	51	-	-
Sales from education business	91	320	-	
	300,325	261,017	16,790	16,765

19. OPERATING PROFIT

	GROUP		COMPANY	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration				
- Grant Thornton				
- audit fees	124	110	20	16
- non-audit fees	5	5	5	5
- Local affiliate of Grant Thornton				
- non-audit fees	75	185	4	3
- Other auditors		_		
- non-audit fees	58	1	-	1
Bad debts	12.055	12.066	-	2,618
Dams and mains lease charges Directors' allowance	12,966	12,966	-	-
- present Directors	370	430	199	254
- past Directors	370 37	430	37	4
Impairment loss on:	3,	7	3,	7
- trade and other receivables	1,542	140	_	_
- investment in a subsidiary		-	-	100
- property, plant and equipment	6,277	-	-	-
Inventories				
- written off	-	179	-	-
- written down	-	2,321	-	-
Property, plant and equipment:				
- depreciation (Note 4)	56,288	52,190	31	8
- written off	1,471	940	-	-
Raw water intake charges	8,409	8,196	-	-
Rental of equipment	76	131	4	11
Rental of premises	1,430	1,405	13	34
Water supply licence fee	3,311	2,466	-	-
And after crediting:				
Bad debts recovered	7	5	_	_
Gain on disposal of other investments	1,633	1,750	-	-
Gain on disposal of property, plant and	•	•		
equipment	-	125	-	-
Gross dividends received from investments				
quoted in Malaysia	139	330	-	-
Income from miscellaneous jobs	2,289	2,092	-	-
Income from reconnection fees and final	2.405	2.404		
connection charges	2,105	3,181	-	-
Interest income	742	1,165	-	-
Recognition of customers' contribution Rental income	756	5,802	-	-
- buildings	1,650	1,554	_	_
- meters and plant and machinery	1,030	223	-	- -
meters and plant and machinery		223		

20. TAX EXPENSE

Recognised in profit or loss:

	GROUP		COM	1PANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current tax				
Current year	(1,786)	(864)	(64)	(64)
Over/(Under) provision in prior year	506	(11)	•	
	(1,280)	(875)	(64)	(64)
Deferred tax				
Relating to the origination and reversal of temporary differences	(5,490)	-	-	
Total tax expense	(6,770)	(875)	(64)	(64)

Reconciliation of effective tax expense:

	GROUP		СОМ	PANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the year	38,000	24,759	14,918	12,290
Total tax expense	6,770	875	64	64
Profit excluding tax	44,770	25,634	14,982	12,354
Income tax calculated using Malaysian tax rate of 25%	(11,192)	(6,408)	(3,746)	(3,089)
Income not subject to tax	1,028	2,646	4,128	4,128
Non-deductible expenses	(1,444)	(3,293)	(459)	(1,104)
Deferred tax assets not recognised	4,159	(2,656)	13	1
Current year reinvestment allowance	-	8,964	-	-
Effect of changes in tax rate	173	(117)	-	-
Over/(Under) provision in prior year	506	(11)	-	
Total tax expense	(6,770)	(875)	(64)	(64)

20. TAX EXPENSE (CONT'D)

Reconciliation of effective tax expense: (Cont'd)

The amount and future availability of unabsorbed capital allowances, tax losses and reinvestment allowance at the end of the reporting period are as follows:

	GROUP	
	2015	
	RM'000	RM'000
Unabsorbed capital allowances	421	18,181
Unabsorbed tax losses	1,172	1,304
Unutilised reinvestment allowance	471,918	486,067

These unabsorbed tax losses and unabsorbed allowances are available to be carried forward for set off against future assessable income of its subsidiaries.

The following (deductible)/taxable temporary differences have not been recognised in the financial statements:

	GROUP		COM	IPANY
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	67	464,859	64	10
Contributions for trunk mains	-	31,278	-	-
Unabsorbed capital allowances	(421)	(18,181)	-	-
Unabsorbed tax losses	(1,172)	(1,304)	-	-
Unabsorbed reinvestment allowance	-	(486,067)	-	-
Other items	(2)	(9,442)	-	-
	(1,528)	(18,857)	64	10

The potential deferred tax assets are not recognised in the financial statements as it is anticipated that the tax effects of such deferral will not reverse in the foreseeable future.

The corporate tax rate will be reduced to 24% from the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, deferred tax is measured using this tax rate.

21. EARNINGS PER SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	2015 RM'000	2014 RM'000
Profit for the year attributable to owners of the Company	38,000	24,759
Weighted average number of ordinary shares in issue	331,006	331,008
Basic earnings per ordinary share (sen)	11.48	7.48
	2015 (′000)	2014 (′000)
Issued ordinary shares at beginning Effect of treasury shares held	331,271 (265)	331,271 (263)
Weighted average number of ordinary shares in issue	331,006	331,008

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at 31 December 2015.

22. DIVIDENDS

	Sen per share (net of tax)	Total amount RM'000	Date o	f payment
2015				
Final 2014 single tier dividend	2.00	6,620	24	July 2015
Interim 2015 single tier dividend	1.75	5,793	8 Jan	uary 2016
	3.75	12,413		
2014				
Final 2013 single tier dividend	2.00	6,620	25	5 July 2014
Interim 2014 single tier dividend	1.75	5,793		nuary 2015
J	3.75	12,413	•	,
			2015 RM	2014 RM
Gross dividends per ordinary share (sen)			3.75	3.75

22. DIVIDENDS

The gross dividends per ordinary share as disclosed above takes into account the total interim and final dividend for the financial year.

The Directors recommend a final single tier dividend of 2.00 sen per share amounting to RM6,620,000 for the financial year ended 31 December 2015 subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

23. OPERATING LEASE ARRANGEMENTS

Leases as lessee

Pursuant to the Water Services Industry Act 2006 (Act 655) with the objective amongst others to establish a regulatory environment that facilitates self-sustainability amongst the water operators in the water service industry, a subsidiary has henceforth entered into Facility and Lease Agreements with PAAB to enable water supply services to be carried out on the lands leased from PAAB. The lease amounted to RM14.56 million per annum for a period of 45 years effective 1 August 2011. These Facility and Lease Agreements supersede the operating lease agreements previously entered into with BKSA.

Non-cancellable operating lease rentals are payable as follows:

	GR	GROUP		
	2015 RM'000	2014 RM'000		
Within one year	14,561	14,561		
Between one year to five years	58,244	58,244		
More than five years	518,132	532,693		
	590,937	605,498		

The lease payments, net of lease incentive (Note 15) recognised in profit or loss during the financial year is disclosed in Note 19 to the financial statements.

Leases as lessor

A subsidiary leased part of its freehold land to third parties for a period ranging from 30 to 60 years with rent increment of 20% every five years. The future minimum lease payments under the non-cancellable lease are as follows:

	GROUP		
	2015 RM′000	2014 RM'000	
Within one year	320	320	
Between one year to five years	1,522	1,458	
More than five years	42,484	42,868	
	44,326	44,646	

24. EMPLOYEE BENEFITS EXPENSE

	GROUP		COM	1PANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages and salaries	56,189	52,574	626	374
Social security costs	606	605	3	2
Defined contribution plan	9,094	8,555	87	56
Other staff related expenses	7,497	4,926	38	37
	73,386	66,660	754	469

25. RELATED PARTY

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its controlling shareholder, subsidiaries, a joint venture and key management personnel.

Related party transactions

The related party transactions of the Group and of the Company are shown below. The balances related to the transactions below are shown in Note 9.

Transactions with joint venture

	GROUP AND	COMPANY
	2015	2014
	RM′000	RM'000
Reimbursement of expenses	-	4

25. RELATED PARTY (CONT'D)

Key management personnel

The key management personnel compensation is as follows:

	GROUP		COM	1PANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors:				
- allowances	407	434	236	258
Other key management personnel:				
- short-term employee benefits	3,620	2,767	303	150
- defined contribution plan	651	488	34	16
- estimated monetary value of benefits-in-kind	64	51	4	2
-	4,335	3,306	341	168
_	4,742	3,740	577	426

Government related entities

A subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), transacts with entities directly or indirectly controlled by the State Government of Penang through its state government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. The transactions with these government-related entities include but are not limited to the sale of water, rendering and receiving of services, leasing of assets, and use of public utilities.

These transactions are conducted in the ordinary course of PBAPP's business. PBAPP has established policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

For the financial year ended 31 December 2015, management estimates that the aggregate amount of PBAPP's significant transactions with other government-related entities approximate **2**% (2014: 2%) of the Group's revenue and **8**% (2014: 2%) of the Group's total expenses.

26. CAPITAL COMMITMENTS

	GROUP		
	2015 RM'000	2014 RM'000	
Contracted but not provided for	57,000	81,000	
Authorised but not contracted for	319,000	404,000	

27. OPERATING LICENCE FOR WATER SUPPLY SERVICE OPERATIONS

Amendments to the Federal Constitution were made to transfer the jurisdiction of water supply services from the State List to the Concurrent List. These amendments were gazetted on 10 February 2005 and they enable the Federal Government to regulate water supply services while the State Government regulates the raw water resources.

27. OPERATING LICENCE FOR WATER SUPPLY SERVICE OPERATIONS (CONT'D)

New acts were subsequently enacted, namely the Water Services Industry Act 2006 (Act 655)(WSIA 2006) and the Suruhanjaya Perkhidmatan Air Negara Act 2006 (Act 654)(SPAN 2006). The WSIA 2006, which came into force on 1 January 2011, provides for the regulation of water supply services and sewerage services and the establishment of licensing and regulatory framework to promote the national policy objectives for the water supply services and sewerage services industries. The SPAN 2006, which was approved by Parliament in June 2006 and came into force on 1 February 2007, provides for the establishment of the regulatory body called Suruhanjaya Perkhidmatan Air Negara (SPAN) to carry out the provisions of WSIA 2006.

On 2 June 2011, a subsidiary was granted an Individual Service Licence and Facility Licence by SPAN pursuant to Section 9 to the WSIA 2006. The licence is effective from 1 June 2011 until 31 May 2014 and has been extended to 31 December 2016. The licence fee payable is calculated at 1% of the revenue from the sale of water by the subsidiary.

28. SEGMENTAL INFORMATION

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.

Geographical segment

Geographical segment information has not been prepared as the Group's operations are confined to Penang, Malaysia.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as available-for-sale financial assets ("AFS"), loans and receivables ("L&R") and financial liabilities measured at amortised cost ("FL").

GROUP 2015	Carrying amount RM'000	AFS RM'000	L&R RM′000	FL RM'000
2015				
Financial assets Other investments Trade and other receivables (excluding prepayments) Cash and cash equivalents	2,439 56,427 51,740 110,606	1,170 - - 1,170	1,269 56,427 51,740 109,436	- - -
Financial liabilities Loans and borrowings (including deferred income) Trade and other payables	44,000 147,197 191,197	- - -	- -	44,000 147,197 191,197

29.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AFS RM'000	L&R RM'000	FL RM'000
GROUP				
2014				
Financial assets Other investments Trade and other receivables (excluding prepayments) Cash and cash equivalents	10,501 44,381 53,200 108,082	8,454 - - 8,454	2,047 44,381 53,200 99,628	- - - -
Financial liabilities Loans and borrowings (including deferred income) Trade and other payables	30,000 134,981 164,981	- - -	- - -	30,000 134,981 164,981
COMPANY				
2015				
Financial assets Other receivables Cash and cash equivalents	120,190 7,022 127,212	- - -	120,190 7,022 127,212	- - -
Financial liabilities Other payables	6,058		6,058	
2014				
Financial assets Other receivables Cash and cash equivalents	117,546 7,243 124,789	- -	117,546 7,243 124,789	- - -
Financial liabilities Other payables	6,083	-	-	6,083

29.2 Net gains and losses arising from financial instruments

	GROUP		
	2015 RM'000	2014 RM'000	
Net (losses)/gains on:			
Available-for-sale financial assets			
- recognised in other comprehensive income	(1,123)	(2,082)	
- Impairment loss on other investments	236	117	
	(887)	(1,965)	
Loans and receivables	(1,542)	(140)	
	(2,429)	(2,105)	

29.3 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

29.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables and investment securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and a joint venture.

29.4.1 Receivables

The risk of counterparties defaulting is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via deposits received from customers and notices sent out to customers 7 days after due date for settlement of debt. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the consolidated statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the trade receivables and the risk is also mitigated by the deposits collected from customers.

Receivables amounting to **RM40,476,000** (2014: RM28,729,000) are secured by deposits collected from customers.

The disclosure of the exposure of credit risk for trade receivables as at the end of the reporting period by geographic region is not disclosed as the Group's operations are confined to the Penang State.

The Group maintains an ageing analysis in respect of trade receivables only.

29.4 Credit risk (Cont'd)

29.4.1 Receivables (Cont'd)

The ageing of the Group's trade receivables as at the end of the reporting period is as follows:

		Individual	
	Gross	impairment	Net
	RM'000	RM'000	RM'000
2015			
Not past due	8,053	-	8,053
Past due 15 - 60 days	5,868	-	5,868
Past due 61 - 365 days	13,169	-	13,169
Past due more than 365 days	13,423	(9,117)	4,306
	40,513	(9,117)	31,396
2014			
Not past due	8,590	-	8,590
Past due 15 - 60 days	1,787	-	1,787
Past due 61 - 365 days	7,118	-	7,118
Past due more than 365 days	11,311	(7,621)	3,690
	28,806	(7,621)	21,185

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

29.4.2 Investments and other financial assets

Investments are allowed only in liquid securities and only with counterparties that have good credit rating. These investments are managed by external fund management companies in accordance with the terms of the Investment Management Mandate.

As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

The investments and other financial assets are unsecured.

29.4 Credit risk (Cont'd)

29.4.3 Inter company balances

The Company provides unsecured advances to subsidiaries and a joint venture. The Company monitors the results of the subsidiaries and joint venture.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries and joint venture are not recoverable. The Company does not specifically monitor the ageing of these advances. Nevertheless, these advances are not regarded as overdue and are repayable on demand.

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's exposure to liquidity risk arises principally from its various payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

					More than	
	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	2 years and less than 5 years RM'000	More than 5 years RM'000
Non-derivative fina	ncial liabilitie	s				
GROUP						
2015						
Loans and borrowings	44,000	44,000	1,000	1,000	6,600	35,400
Trade and other payables	147,197	147,197	147,197	-	-	-
	191,197	191,197	148,197	1,000	6,600	35,400

29.5 Liquidity risk (Cont'd)

	Carrying amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	More than 1 year and less than 2 years RM'000	More than 2 years and less than 5 years RM'000	More than 5 years RM'000		
Non-derivative financial liabilities								
GROUP								
2014								
Loans and borrowings Trade and other	30,000	30,000	-	1,000	4,000	25,000		
payables	134,981	134,981	134,981	-	-	-		
	164,981	164,981	134,981	1,000	4,000	25,000		
COMPANY								
2015								
Other payables	6,058	6,058	6,058	-		-		
2014								
Other payables	6,083	6,083	6,083	-	<u>-</u>	-		

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

29.6.1 Currency risk

The Group is not significantly exposed to foreign currency risk as transactions denominated in a currency other than the functional currency of the Group entities is not material.

29.6.2 Interest rate risk

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's and the Company's income and interest-earning financial assets are mainly short term in nature and have been placed in short-term deposits with licensed banks.

The Group's and the Company's exposure to interest rate risk is not material as the Group and the Company do not have any significant interest bearing financial liabilities and interest-earning financial assets other than short-term deposits placed with licensed banks.

29.6 Market risk (Cont'd)

29.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

Management of the Group monitors the equity investments on a portfolio basis. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

The management is of the view that the results of the Group is not sensitive towards the changes in equity price risk as there are no equity investments being designated as fair value through profit or loss. Changes in equity price risk for equity investments designated as available-for-sale is not significant to the total equity of the Group.

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of the other financial assets and financial liabilities, together with their carrying amounts shown in the statements of financial position are as follows:

	2015		2014	
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	RM'000	RM'000	RM'000	RM'000
GROUP				
Financial assets				
Quoted shares	1,170	1,170	8,454	8,454
Money market placement	1,269	1,269	2,047	2,047
Financial liabilities				
Other payables	6,911	6,911	7,089	7,089
Loans and borrowings	44,000	24,835	30,000	16,416
COMPANY				
Financial liabilities				
Other payables	30	30	30	30

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Fair value information (Cont'd)

Investment in quoted shares and debt securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purpose, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

29.8 Fair value hierarchy

The table below analyses financial instruments carried at fair value which is disclosed together with their fair values and carrying amounts shown in the statement of financial position.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM
GROUP					
2015					
Financial assets					
Available-for-sale financial assets	1,170	-	-	1,170	1,170
2014					
Financial assets					
Available-for-sale financial assets	8,454	-	-	8,454	8,454

30. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

There were no external capital requirements and/or covenants imposed on the Group as at the end of the reporting period.



31. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of retained earnings of the Group and of the Company as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows:

	GR	GROUP		IPANY
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	361,832	341,923	60,669	58,164
- Unrealised	5,490	-	-	
	367,322	341,923	60,669	58,164
Share of retained earnings of joint venture				
- Realised	2,131	1,921	-	
	369,453	343,844	60,669	58,164
Add: Consolidation adjustments	53,858	53,880	-	-
	423,311	397,724	60,669	58,164



Analysis Of Shareholdings

As At 31 March 2016

Authorised Capital : RM500,000,001

Issued and Fully Paid-Up Capital : RM165,635,201 Comprising of 331,270,401 Ordinary Shares of RM0.50 each

("Shares") and 1 Special Rights Redeemable Preference Share of RM0.50

("Special Share")

Class of Equity Securities : Ordinary Shares of RM0.50 each ("Shares")

Voting Rights 1 vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Shares #	% #
7	Less than 100	116	0.00
5,789	100 - 1,000	5,704,883	1.72
2,588	1,001 - 10,000	11,757,801	3.55
821	10,001 to 100,000 shares	25,806,700	7.80
141	100,001 to less than 5% of issued shares	72,585,000	21.93
2	5% and above of issued shares	215,150,001	65.00
9,348		331,004,501	100.00

Note:-

List of the 30 Largest Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held #	% #
1	STATE SECRETARY, PENANG	182,050,001	55.00
2	PENANG DEVELOPMENT CORPORATION	33,100,000	10.00
3	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR YAYASAN BUMIPUTRA PULAU PINANG BHD	13,567,900	4.10
4	TEOH GUAN KOK & CO. SDN. BERHAD	3,273,100	0.99
5	LIM KUAN GIN	3,200,000	0.97
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAM MUN	3,055,000	0.92
7	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE	2,881,600	0.87
8	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING	2,800,000	0.85
9	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD	2,514,700	0.76

[#] Exclude 1 Special Share which is not listed on the Main Market of Bursa Malaysia Securities Berhad and 265,900 Shares which are currently held as treasury shares.

List of the 30 Largest Securities Account Holders (Cont'd)

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held #	% #
10	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHIENG SIM	2,183,600	0.66
11	PARK AVENUE CONSTRUCTION SDN BHD	1,775,800	0.54
12	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,600,000	0.48
13	LIM TEAN KAU	1,278,000	0.39
14	EMERALD LODGE SDN. BHD.	1,264,000	0.38
15	ENG SU LIM	950,000	0.29
16	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILIP CAPITAL MANAGEMENT SDN BHD	937,700	0.28
17	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ENG SU LIM	900,000	0.27
18	LIM SEOW CHIN	800,000	0.24
19	ONG BEE LIAN	787,400	0.24
20	LIM YAM KONG	650,000	0.20
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN	598,000	0.18
22	DB (MALAYSIA) NOMINEES (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR BANK OF SINGAPORE LIMITED	577,000	0.17
23	TENG ENG SEAH	564,000	0.17
24	KAF TRUSTEE BERHAD KIFB FOR THE INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES MALAYSIA	515,000	0.16
25	DYNAQUEST SDN. BERHAD	500,000	0.15
26	YAP CHOO JOO @ YAP TSE LOO	500,000	0.15
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP QWEE BENG	489,000	0.15
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KHAW SIANG HEE	485,000	0.15
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG KAM MUN	480,300	0.15
30	SHIN LEE YEUCH @ CHIN LEE YEUK	440,000	0.13

SUBSTANTIAL SHAREHOLDERS

(excluding those who are bare trustees pursuant to Section 69 of the Companies Act, 1965)

	No. of Shares beneficially held					
Name of Substantial Shareholders	Direct Interest	% #	Indirect Interest	%	Note	
State Secretary, Penang	182,050,001	55.00	-	-	а	
Penang Development Corporation	33,100,000	10.00	-	-	-	

Notes:-

a) Exclude 1 Special Share which is not listed on the Main Market of Bursa Malaysia Securities Berhad.

DIRECTORS' SHAREHOLDINGS

	No. of Shares beneficially held						
Name of Directors	Direct Interest	%	Indirect Interest % #	# Note			
YAB Tuan Lim Guan Eng	-	-	-				
YB Dato' Haji Mohd Rashid Bin Hasnon	-	-	-				
YB Prof. Dr. P. Ramasamy a/l Palanisamy	-	-	-				
YB Dato' Seri Farizan Bin Darus	-	-	-				
YB Dato' Haji Mokhtar Bin Mohd Jait	-	-	-				
YB Tuan Lim Hock Seng	-	-	-				
YB Tuan Phee Boon Poh	-	-	-				
YB Tuan Chow Kon Yeow	-	-	-				
YB Dato' Haji Abdul Malik Bin Abul Kassim	-	-	-				
YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff	-	-	-				
YBhg. Dato' Athi Isvar a/l Athi Nahappan	-	-	-				
YBhg. Dato' Agatha Foo Tet Sin	-	-	-				
Puan Mary Geraldine Phipps	-	-	-				
Tuan Brian Tan Guan Hooi	-	-	-				

INTEREST IN THE RELATED CORPORATIONS

None of the above Directors have any interest in Shares in the related corporations of the Company.



Top 10 Properties Of The Group

Details of the Top 10 Properties of the Group are as follows:-

ITEM NO.	PROPERTY	LOT NO.	LOCATION (MUKIM, BANDAR/ DAERAH)	ТҮРЕ	TENURE	LAND AREA (HECTARE)	NET BOOK VALUE AS AT 31 DECEMBER 2015 RM'000
1	Sungai Dua Treatment Plant	2394 2395	11, SPU	Treatment Plant	99 years "	1.441 13.149 14.590	193,354
2	Bukit Indera Muda Reservoir	927 928 1113 908	3, SPT " 21, SPT 3, SPT	Reservoir	99 years " " In perpetuity	2.959 2.970 0.859 0.741 7.529	22,025
3	Rifle Range Road Workshop, Stores & Office	2105 2137 & 2138 726	Sect. 2, Georgetown, DTL	Workshop, Store Quarters & Office	99 years 97 years In perpetuity	2.066 0.859 0.304	
						3.229	19,491
4	Pulau Jerejak Reservoir & Pipeline	11255	Mk 13 DTL	Reservoir & Pipeline	In Perpetuity	3.539	19,256
5	Batu Ferringhi Quarters, Bungalow & Treatment Plant	443	17, DTL	Quarters & Treatment Plant	In perpetuity	10.294	14,698
6	Jawi Office & Store	PT534	11, SPS	Office/Store	99 years	6.992	13,529
7	Batu Kawan Reservoir	PT1452 PT1887	13, SPS	Reservoir	99 years "	1.5112 0.2045 1.7157	12,372
8	Telok Bahang	695 PT1 15220 231 377 380 383 384 535 10001 381 389	1, DBD 2,DBD " " " " "	Pumphouse & Reservoir	In perpetuity " " " " " " 99 years	7.662 1.449 5.670 0.052 0.991 0.405 2.076 0.628 2.458 0.316 0.376 0.086 22.169	12,074

Top 10 Properties Of The Group (Cont'd)

Details of the Top 10 Properties of the Group are as follows:- (Cont'd)

NO.	PROPERTY	LOT NO.	LOCATION (MUKIM, BANDAR/ DAERAH)	ТҮРЕ	TENURE	LAND AREA (HECTARE)	NET BOOK VALUE AS AT 31 DECEMBER 2015 RM'000
9	Jawi Reservoir	PT453 PT454 PT874	5, SPS " "	Reservoir	In perpetuity "	0.951 1.890 0.291 3.132	10,890
10	Bukit Dumbar Reservoir	729 PT16 658 659 661	Sect. 4, Jelutong, DTL "	Reservoir	In perpetuity " " "	5.623 9.101 2.430 0.289 0.930 18.373	8,619



Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth (16th) Annual General Meeting of PBA Holdings Bhd. ("PBAHB" or the "Company") will be held at Hotel Jen, Magazine Road, 10300 Penang on Tuesday, 24 May 2016 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon.

Resolution

Resolution 1

2. To re-elect the following Directors who are retiring in accordance with the Company's Articles of Association: -

Article 114

a) YB Dato' Seri Farizan Bin Darus	Resolution 2
b) YB Dato' Haji Abdul Malik Bin Abul Kassim	Resolution 3
c) YB Tuan Lim Hock Seng	Resolution 4
d) YB Dato' Haji Mokhtar bin Mohd Jait	Resolution 5

Article 112

a) YB Tuan Chow Kon Yeow
b) Tuan Brian Tan Guan Hooi
Resolution 7

3. To approve the declaration of a final single tier dividend of 4% for the financial year ended 31 December 2015.

Resolution 8

4. To re-appoint Messrs Grant Thornton as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

Resolution 9

AS SPECIAL BUSINESS

- 5. To consider and if thought fit, to pass the following resolutions: -
 - 5.1 Ordinary Resolution: -

Proposed renewal of authority for the Company to undertake a share buy-back of up to 10% of its issued and paid-up ordinary share capital ("Proposed Renewal of Share Buy-Back Authority")

"THAT, subject to the Companies Act, 1965 ("the Act"), the provisions of the Company's Memorandum and Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorized, to the fullest extent permitted by law to purchase such amount of ordinary shares of RM0.50 each in the Company ("PBAHB Shares") from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

the aggregate number PBAHB Shares which may be purchased or held by the Company shall not exceed ten per centum (10%) of the total issued and paid-up ordinary share capital for the time being of the Company;

AS SPECIAL BUSINESS (CONT'D)

5.1 Ordinary Resolution: - (Cont'd)

- ii) the maximum fund to be allocated by the Company for the purpose of purchasing the PBAHB Shares under the Proposed Renewal of Share Buy-Back Authority shall not exceed the share premium account and/or retained profits of the Company for the time being;
- iii) the authority conferred by this resolution shall commence immediately upon passing of this ordinary resolution and shall continue to be in force until:-
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM, at which time the authority will lapse unless renewed by ordinary resolution, either unconditionally or conditionally; or
 - (b) the expiration of the period within which the next AGM after the date is required by law to be held; or
 - (c) revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company of the PBAHB Shares before the aforesaid expiry date and, made in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

iv) upon completion of the purchase(s) of the PBAHB Shares by the Company, the Directors of the Company be and are hereby authorised to cancel the PBAHB Shares so purchased or to retain the PBAHB Shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or resold on the Bursa Securities and/or subsequently cancelled, or to retain part of the PBAHB Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise, complete or to effect the Proposed Renewal of Share Buy-Back Authority with full powers to assent to any conditions, modifications, resolutions, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the said Directors may deem fit and expedient in the best interest of the Company to give effect to and to complete the purchase of the PBAHB Shares."

Resolution 10

AS SPECIAL BUSINESS (CONT'D)

5.2 Special Resolution: -

Proposed Amendments to the Articles of Association of the Company

"THAT the amendments to the Articles of Association of the Company as set out in the Appendix I annexed to the Annual Report 2015 be and are hereby approved and adopted AND THAT the Board of Directors be and is hereby authorised to give effect to the said amendments.

AND THAT authority be and is hereby given to the Directors of the Company to do all such acts, deeds and things and execute, sign and deliver all documents for and on behalf of the Company as they may consider necessary or expedient to give effect to and implement the Proposed Amendments with full power to assent to any conditions, modifications, variations and alteration as may be imposed or permitted by the relevant authorities."

Resolution 11

6. To transact any other ordinary business of which due notice shall have been given.

Notice Of Dividend Entitlement

NOTICE IS ALSO HEREBY GIVEN that a final single tier dividend of 4% in respect of the financial year ended 31 December 2015, if approved by members of the Company, will be paid on 22 July 2016. The entitlement date for the dividend payment is 30 June 2016.

A Depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2016 in respect of ordinary transfers; and
- (b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board,

THUM SOOK FUN (MIA 24701) Company Secretary

Dated: 29 April 2016

Penang

Notice Of Annual General Meeting (Cont'd)

Explanatory Notes to Special Business: -

(i) Resolution No. 10 in respect of the Proposed Renewal of Share Buy-Back Authority

The proposed adoption of the Resolution No. 10 is to renew the authority granted by the shareholders of the Company at the 15th AGM held on 28 May 2015.

The Proposed Renewal of the Shares Buy Back Authority, if passed, will allow the Directors to buy-back and/or hold up to a maximum of 10% of the Company's issued and paid-up ordinary share capital. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM of the Company, or the expiration of period within which the next AGM is required by law to be held, whichever is earlier.

For further information, please refer to the Statement to Shareholders dated 29 April 2016, which is dispatched together with the Company's Annual Report 2015.

(ii) Resolution No. 11 in respect of the Proposed Amendments to the Articles of Association of the Company

The Proposed Amendments are to align the Company's Articles of Association with the amendments made to the Main Market Listing Requirements of Bursa Securities, as well as to enhance administrative efficiency.

Notes: -

- 1. A member entitled to attend and vote at the meeting is entitled to appoint two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two or more proxies, the appointments shall be invalid unless he or she specifies the proportions of his or her shareholdings to be represented by each proxy.
- 2. A proxy may but need not to be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.
- 3. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- 4. Where a member of the Company is an authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy must be deposited with the Company's registered office at 32nd Floor, Komtar, 10000 Pulau Pinang not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- 6. For the purpose of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 64 of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 16 May 2016 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the meeting or appoint proxy to attend, speak and vote in his/her stead.

The Articles of Association of the Company are proposed to be amended in the following manner:

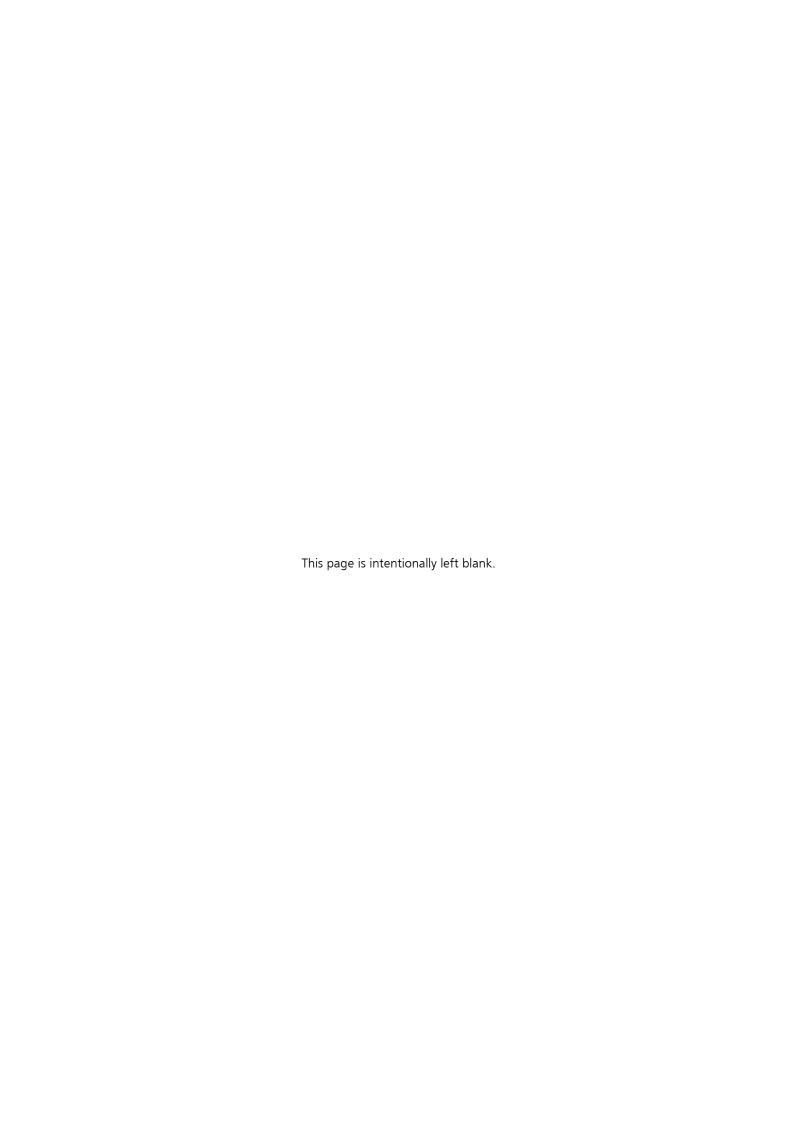
Article No.	Existing Article	Proposed Amendments
127	A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and the Directors' report shall be in printed form or in CD-ROM form or in such other form of electronic media or any combination thereof and shall not more than six months after the close of the financial year and not less than fourteen days before the date of the meeting be sent to every Member of, and every holder of debenture of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles. Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office.	A copy of every balance sheet and profit and loss account which is to be laid before the Company in general meeting (including every document required by law to be annexed thereto) together with a copy of the Auditors' report relating thereto and the Directors' report shall be in printed form or in CD-ROM form electronic format or in such other form of electronic media or any combination thereof and shall not more than six months after the close of the financial year and not less than fourteen days permitted under the Listing Requirements or any combination thereof shall, not less than twenty one (21) days (or such other shorter period as may be agreed by all members entitled to attend and vote at the meeting) before the date of the meeting be sent to every Member of, and every holder of debentures of the Company and to every other person who is entitled to receive notices notice of general meetings from the Company under the provisions of the Act or of these Articles, provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to at the Office.
127A	The interval between the close of a financial year end of the Company and the issue of the annual audited accounts, the directors' and auditors reports shall not exceed four months.	Deleted



Statement Accompanying Notice Of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

As at date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election or re-appointment) at this forthcoming 16th AGM.



No. of Shares held



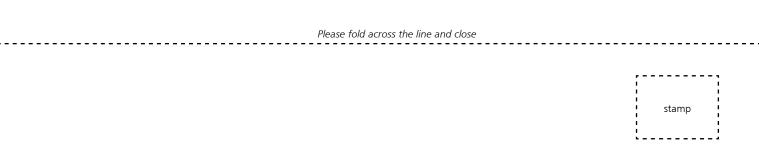
Form Of Proxy

I / We	(Full name in capital letters) (Full address in capital letters and telephone number) members of PBA Holdings Bhd. hereby appoint		
.,	(Full name in capital letters)		
of	(F. II address in assistal latters and talambana according		
being a member/	members of PBA Holdings Bhd. hereby appoint		
	NRIC/Company No		
of	Name of proxy as per NRIC, in capital letters)		
	75 H 11 : : : 11 ::)		
or failing him/her	(Full address in capital letters) ,NRIC/Company No (Name of proxy as per NRIC, in capital letters)		
of	(Name of proxy as per NRIC, in capital letters)		
01	(Name of proxy as per NRIC, in capital letters) (Full address in capital letters)		
Sixteenth (16 th) Al Tuesday, 24 May Please indicate yo	r, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *nnual General Meeting of the Company to be held at Hotel Jen, Magazine Roa 2016 at 10.00 a.m. and at any adjournment thereof. ur vote by a (X) in the respective box of each resolution. If no specific direction e or abstain from voting on the resolutions at his/her discretion.	d, 10300) Penang on
No.	Resolutions	For	Against
Resolution 1	To receive the Audited Financial Statements for the financial year ended 31 December 2015		
Resolution 2	To re-elect YB Dato' Seri Farizan Bin Darus as Director		
Resolution 3	To re-elect YB Dato' Haji Abdul Malik Bin Abul Kassim as Director		
Resolution 4	To re-elect YB Tuan Lim Hock Seng as Director		
Resolution 5	To re-elect YB Dato' Haji Mokhtar bin Mohd Jait as Director		
Resolution 6	To re-elect YB Tuan Chow Kon Yeow as Director		
Resolution 7	To re-elect Tuan Brian Tan Guan Hooi as Director		
Resolution 8	To declare a final single tier dividend		
Resolution 9	To re-appoint Messrs Grant Thornton as Auditors of the Company		
Resolution 10	Ordinary Resolution – Proposed Renewal of Share Buy-Back Authority		
Resolution 11	Special Resolution – Proposed Amendments to the Articles of Association of the Company		
* Strike out whichever	not applicable		
Note · Please note tha	It the short descriptions given above of the Resolutions to be passed do not in any way whatsoe Resolutions. The short descriptions have been inserted for convenience only. Shareholders are enual General Meeting for the full purpose and intent of the Resolutions to be passed.	ver reflect ncouraged	the intent and to refer to the
Dated this	_ day of, 2016.		

Notes:-

- 1. A member entitled to attend and vote at the meeting is entitled to appoint two (2) or more proxies to attend and vote in his or her stead. Where a member appoints two or more proxies, the appointments shall be invalid unless he or she specifies the proportions of his or her shareholdings to be represented by each proxy.
- A proxy may but need not to be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not
 apply to the Company. There shall be no restriction as to the qualification of the proxy. Any proxy or duly authorised representative appointed
 to vote and attend instead of a member, shall have the same right as the member to speak at the meeting.
- In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
- 4. Where a member of the Company is an authorised nominee who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- 5. The instrument appointing a proxy must be deposited with the Company's registered office at 32nd Floor, Komtar, 10000 Pulau Pinang not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- 6. For the purpose of determining who shall be entitled to attend, speak and vote at this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 64 of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Securities, a Record of Depositors as at 16 May 2016 and a Depositor whose name appears on such Record of Depositors shall be entitled to attend, speak and vote at the meeting or appoint proxy to attend, speak and vote in his/her stead.
- 7. Any alteration in this form must be initialed.

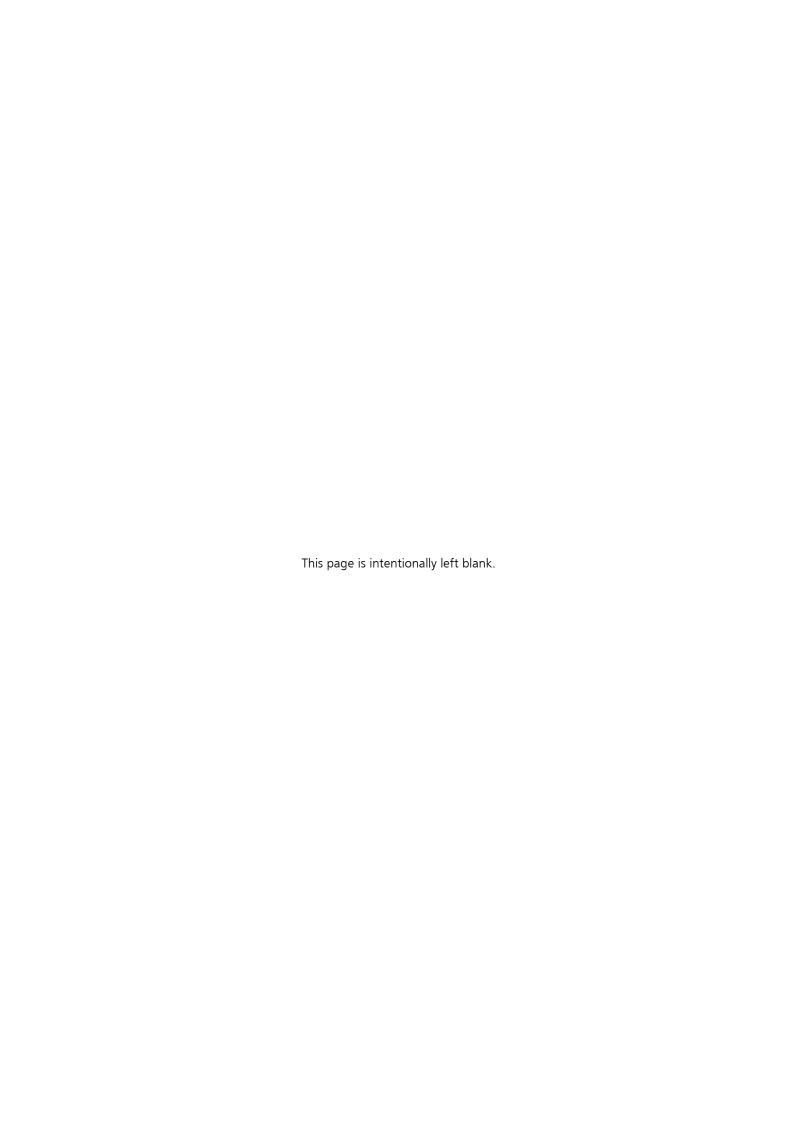
Signature/Common Seal of Shareholder(s)

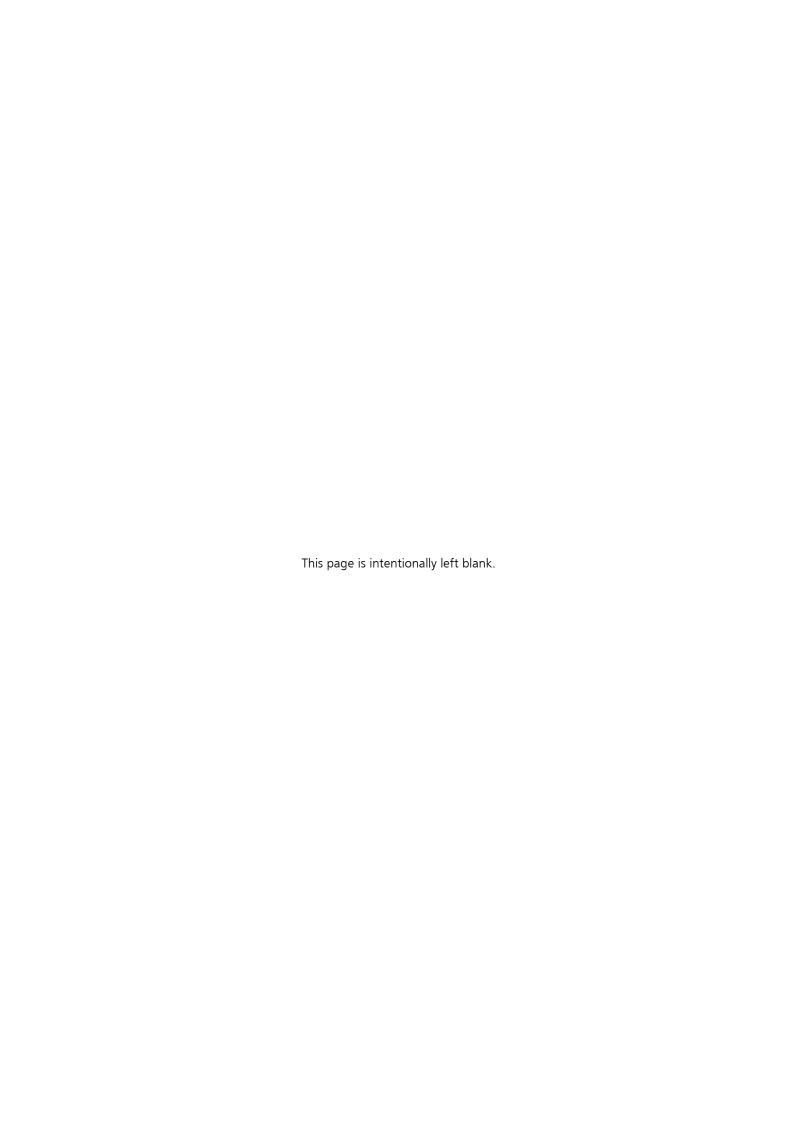


The Company Secretary **PBA Holdings Bhd.** (515119-U)

32nd Floor, Komtar, 10000 Pulau Pinang

Please fold across the line and close









Water Supply: The Green, Sustainable & People-Friendly Way

Water conservation is essential for Penang to become a "Green State." By using less water, everyone helps to ensure that we will always have enough water for all households and businesses, as well as to sustain a healthy and refreshing environment.

Water conservation also sustains "people-friendly" water tariffs by prolonging the lifespans of existing infrastructure. This will delay the need for expensive new projects that will ultimately impact tariffs.

In other words, sustainability is both "cheap" and "good".

Please think about :



Climate Change Dry seasons are now longer, better and drie

longer, hotter and drier. Penang must avoid water rationing at all costs.



Population Growth

In the period 2004 -2014, our population grew by 18% from 1.40 million to 1.65 million people. More people will need more water in the years to come.



Economic Progress

In 2013, Penang's GDP was RM63 billion and we contributed to 25% of Malaysia's imports and exports. We need to have enough water to support all businesses that provide jobs and income for everyone.

Please visit pba.com.my for water saving tips today.

AVOID queues, traffic jams and parking problems. Save money & time. Use a smart phone, tablet or PC to pay Penang water bills online... any time, from anywhere.





Level 32 & 33, KOMTAR, Jalan Penang, 10000 Georgetown, Pulau Pinang. PBAPP Call Centre (24 hours): 04-509 6 509 Email: customer@pba.com.my Website: http://www.pba.com.my