

PBA HOLDINGS BHD.

Company Registration No. 200001012513 (515119 U)
(Incorporated in Malaysia)

Summary of key matters discussed at the Twentieth Annual General Meeting ("20th AGM") of PBA Holdings Bhd ("the Company" or "PBAHB") held at Setia SPICE, Convention Centre, Jalan Tun Dr Awang, 11900 Bayan Lepas, Penang on Tuesday, 8 September 2020 at 10:00 a.m.

Attendees:

- 1) Members of the Board of Directors as per attendance list
- 2) Company Secretary
- 3) Representatives from Messrs. Grant Thornton, the external auditors
- 4) Shareholders / Proxies / Authorised Representatives and Invitees as per attendance list

ITEM 1 ON AGENDA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Company's Audited Financial Statements for the year ended 31 December 2019 together with the Reports of Directors and Auditors were tabled to the Meeting.

YAB Chairman presented the executive summary of the performance of PBAHB Group to ease the shareholders' understanding on the overall performance of PBAHB Group for the financial year ended 31 December 2019.

The Company had on 28 August 2020 received a letter from the Minority Shareholders Watch Group ("MSWG") seeking clarification on the Company's financial performance and Corporate Governance. The Meeting noted the reply from the Company to MSWG, which was summarised as follows: -

	Questions raised by the MSWG	Summary of the Company's reply
	<u>Strategic and Financial Matters</u>	
1)	<p>The State of Penang has the highest per capita domestic consumption of water of 281 litres per capita per day (LCD) in 2019 compared to 278 LCD in 2018. This is 24.3% higher than the national average of 226 LCD for 2018. The Company said it had put in place awareness and education programmes to reduce the consumption of water. (Page 19 of the Chairman's statement in the 2019 Annual Report).</p> <p>a) How effective are these education and awareness programmes in reducing the consumption of water in the State?</p>	<p>If we look back to Year 2000, per capita domestic consumption in Penang was 255 litres per capita per day, or LCD in short.</p> <p>Over the following 10 years until 2010, per capita domestic consumption increased by an average of 1.28% per year. By 2010, it reached 291 LCD.</p> <p>Projections indicated that Penang's per capita domestic consumption would have reached 327 LCD in 2019, if we had allowed it to grow unchecked at the rate of 1.28% per annum, from 291 LCD in 2010.</p> <p>Perbadanan Bekalan Air Pulau Pinang Sdn Bhd ("PBAPP") "arrested" this trend of spiraling per capita domestic consumption, through public awareness and education programmes and</p>

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		<p>Penang's "Water Conservation Surcharge" from 2010.</p> <p>In 2017, we managed to achieve 276 LCD. In 2018, it went up to 278 LCD. The per capita domestic consumption figure for 2019 was 281 LCD.</p> <p>281 LCD is lower than 291 LCD recorded in 2010; and significantly lower than the 327 LCD projection.</p> <p>So, the answer is YES. PBAPP's public awareness and education programmes, coupled with the Penang's "Water Conservation Surcharge", have been effective.</p> <p>Having said that, we believe more can be done to further reduce per capita domestic consumption in Penang. In our experience, public awareness and education must be backed up by affirmative tariff adjustments to deliver the desired result.</p> <p>However, the Ministry of Environment and Water, or KASA, has announced that there would be no water tariff reviews in Malaysia for now.</p>
2)	<p>On Page 20 of the Chairman's statement it is stated that Penang will face serious water shortage problems if it does not find an alternative to its current source of water supply, Sg, Muda in Kedah by the year 2025. It has been proposed that the Company seeks a water transfer project from Sg Perak and this has been deemed as the most rational solution to the problem. However, the Perak government insists on selling treated water to Penang and this will not be viable from a cost perspective. The proposal which was supposed to be tabled in Parliament in 2019 has not been brought up and since the change of government the fate of the project remains uncertain.</p> <p>a) What are the alternatives to the Company if this project does not materialize?</p>	<p>Firstly, we would like to correct the following misconception as stated by the MSWG: "The proposal which was supposed to be tabled in Parliament in 2019 has not been brought up and since the change of government the fate of the project remains uncertain."</p> <p>In fact, the SPRWTS has been repeatedly brought up in Parliament, in 2019 and 2020, by various Penang MPs, including YAB Tuan Chow Kon Yeow and YB Nurul Izzah Anwar.</p> <p>Please allow me to share an excerpt from the latest reply from the Minister of Environment and Water, or KASA, dated 23.7.2020:</p> <p>"A study on the raw water tunnel component is expected to be able to commence from September 2020 and</p>

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	<p>b) What are the steps taken by the Company and the State government to get the buy-in from the Federal government to advance their cause in the implementation of this project?</p>	<p>complete in September 2021. Water operators may apply for the implementation of the water treatment plant components through business plans that will be presented for approval by the National Water Services Commission (SPAN).</p> <p>“The implementation of this project may commence after both states finalise the approach on its implementation based on the fundamental issue in relation to jurisdiction over the water source. As such, the Ministry would like to propose for both states to reach an agreement (on this matter) in view of its importance to address the problem of water shortages in North Perak and Penang.”</p> <p>This parliamentary reply clearly indicates two things:</p> <p>One: the Federal Government is aware of the importance of the SPRWTS and acknowledges its responsibility in regard to the SPRWTS. Therefore, the question of “Federal Government buy-in” need not arise.</p> <p>Two: KASA wants the State Government of Penang and the State Government of Perak to reach an agreement before the project may be implemented.</p> <p>This is where we feel that the Ministry should step in to take the lead in mediating and facilitating a fair solution for both parties. State-to-state talks have reached a “stalemate” because Penang wants to buy raw water but Perak wants to sell treated water.</p> <p>For the record, Penang has never put to question Perak’s “jurisdiction over the water source.” In fact, Penang has stated repeatedly that it is willing to pay Perak for raw water from Sungai Perak.</p> <p>Perak has counter-proposed for Penang to jointly invest in a co-owned and jointly managed new water treatment</p>
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		<p>plant (WTP) in Perak that will exclusively treat raw water from Sungai Perak for use in North Perak and Penang. This proposed WTP will be a massive facility because it has to treat sufficient water for two states at one go.</p> <p>It should be noted Lembaga Air Perak, or LAP, and PBAPP are two individual water supply operators serving two different states. Perak's counter-proposal will compel LAP and PBAPP to co-manage one water treatment plant in Perak. This is an unprecedented approach in Malaysia. It may cause unnecessary issues and problems, arising from the differing water supply policies, priorities and water demand in Perak and Penang.</p> <p>PBAPP will not have full control over WTP operations in Perak, and as such, will not be able to operate water treatment works in a manner that specifically addresses water needs in Penang.</p> <p>On the other hand, the SPRWTS is a "raw water" solution that will allow LAP and PBAPP to continue operating individually, as per the status quo, towards meeting specific water needs in Northern Perak and Penang towards 2050.</p> <p>This is why all large-scale water transfer projects in Malaysia, such as the Johor-Melaka and Pahang-Selangor schemes, are raw water schemes, and not treated water schemes.</p> <p>Based on PBAPP's original 2009 projections, the SPRWTS will take 7 years to complete and commission. If the project is implemented from 2021, it may be operational from 2027. However, Penang may face a raw water shortage by 2025.</p>
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		<p>This 2025 scenario brings us to our contingency plans to address the risk of a water crisis in Penang in the near future.</p> <p>PBAPP has drafted a "Penang Water Supply Initiative 2050" (PWSI 2050) to outline 3 contingency plans:</p> <p>a) <u>Package 12A of the Sungai Dua Water Treatment Plant</u> Package 12A involves the construction of a new 114 MLD water treatment module in the Sungai Dua WTP. It will allow PBAPP to produce more treated water to meet water supply needs in Penang until the SPRWTS comes online.</p> <p>b) <u>Sungai Perai Water Supply Scheme (SPWSS)</u> The SPWSS is aimed at tapping Sungai Perai as an additional raw water resource that may deliver 136 MLD of water for Penang. Previous engineering studies have indicated that raw water from this river may not be safely treated using conventional water treatment technology. As such, the SPWSS will explore the possibility of employing alternative water treatment technologies to "treat" the raw water properly for human consumption.</p> <p>c) <u>Phase 1 of the Penang Desalination Water Supply Scheme (PDWSS)</u> Phase 1 of the PDWSS proposes the construction of a 250 MLD sea water desalination facility in the southern area of Penang Island. Its purpose is to address the increasing water supply needs in Balik Pulau and the surrounding areas, as well as for the Penang South Reclamation (PSR) project towards 2030. Phase 1 is scheduled for commissioning in December 2024. Subsequent phases may be implemented until 2050 since Penang is surrounded by sea, with</p>
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		<p>theoretically unlimited access to sea water.</p> <p>PBAPP has commissioned a feasibility study on the PWSI 2050 projects. The feasibility study is being conducted by an independent engineering consultant, and is scheduled for completion by January 2021.</p> <p>All aspects of the PWSI 2050 projects (including budgets, timing, public tenders and implementation policies) will be subject to prior approval by the Penang State Government.</p> <p>Kindly note that the PWSI 2050 does NOT affect or compromise Penang's pursuit of the SPRWTS for long-term water supply security towards 2050. The SPRWTS is still the most rational raw water solution, in terms of both potential yield and cost-effectiveness.</p> <p>We will continue to pursue the implementation of the SPRWTS because the Federal Government had agreed to undertake raw water resource schemes for Penang when we migrated to the National Water Services Re-structuring Initiative (NWSRI) in 2011.</p>
3)	<p>The 3rd Butterworth to Penang Twin Submarine Pipeline Project is one of the three key water supply projects to be implemented in 2019 – 2021. The total investment amount for these projects was RM 501 million. (Page 22, AR 2019)</p> <p>a) What was the total amount allocated to this project?</p> <p>b) How much has been spent thus far? When is this project expected to be completed?</p>	<p>The 3rd Penang Twin Submarine Pipeline project, or 3rd PTSP, reflects PBAPP's forward-thinking approach in managing water supply for the benefit of Penang and its people.</p> <p>Its 3 key benefits are:</p> <p>One: To enable more efficient delivery of 315 million litres of treated water per day (MLD) from the Sungai Dua Water Treatment Plant in Seberang Prai to Penang Island.</p> <p>Two: To back-up the Penang's first set of twin submarine pipelines which were commissioned in 1973. These "old pipelines" have almost reached end-of-life (EOL) after 47 years; and is scheduled for decommissioning in</p>

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		<p>about 3 years' time.</p> <p>Three: To support the Penang State Government's "no water rationing" policy, especially in this age of climate change and unpredictable rainfall.</p> <p>The total expenditure for the 3rd PTSP is RM114.3 million. Work on this project has reached the final stages of completion. The 3rd PTSP is scheduled for commissioning by year-end.</p> <p>When it is operational, the 3rd PTSP will help to ensure water supply security in Penang towards 2050.</p>
4)	<p>As at 31 December 2019, total impairment provided for expected credit losses was RM8.04 million compared to RM6.156 million as at 31 December 2018. (Page 192, AR 2019)</p> <p>a) What were the steps taken to recover these receivables?</p> <p>b) How much of these impaired receivables have been recovered to date?</p>	<p>a) The steps taken to recover these receivables are as follows:</p> <p>1) <u>Internal Debt Recovery</u></p> <ul style="list-style-type: none"> - Warning notices issued together with the water bills to remind consumers to make payment. - Meter will be clamped and disconnected if there is no payment received 14 days after warning notice issued. - PBAPP Recovery Unit call debtors and send reminder letters through various channels i.e. email, WhatsApp and negotiation with consumers/ arrange for installment plans for the outstanding bills to be paid. <p>2) <u>Legal Proceedings</u></p> <p>PBAPP legal letters will be sent, external legal action will be taken accordingly for outstanding accounts past due 61 – 365 days.</p> <p>3) <u>Debt Collectors</u></p> <p>For outstanding accounts aged above 1 year, accounts were assigned to Debt Collectors.</p> <p>b) As at 30 June 2020, RM643,000 had been recovered from the 2019 impaired receivables.</p>

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5)	<p>RM552,000 had been expensed off as Directors Allowance in 2019 as compare to RM306,000 in the previous year. (Page 202 of AR 2019)</p> <p>a) Please explain the reason for the 44% increase in directors' allowances for 2019?</p>	<p>Increase in Director Allowances is due to:</p> <p>(i) In 2018, some of the Directors were appointed later during the year and did not receive their full year's allowances. In 2019, most directors were on Board for the full year.</p> <p>(ii) Appointment of a new Non-Executive Director for the main subsidiary, PBAPP, w.e.f. 3.9.2019</p>
<u>Corporate Governance Matter</u>		
1)	<p>We note from page of 34 of the AR 2018 that the Board of Directors consist of 9 politicians and political appointees. This contradicts with the policy by the Federal Government which has made public of their policy of not allowing politicians and political appointees to be on the boards of Government-linked companies as part of the reforms introduced.</p> <p>MSWG has always advocated against politicians and political appointee on listed companies, be it government-linked companies or state-owned enterprises as politics and business should not be mixed to avoid conflict of interest situations.</p> <p>What is the Company's policy on this?</p>	<p>a) YB Tuan Muhammad Faiz Fadzil was outstation on 29 June 2019 and 27 July 2019 due to his official work commitments and thus, he was unable to attend the ad-hoc Board meetings held on 29 June 2019 and 27 July 2019. He was also unable to attend the Board of Directors' meeting held on 25 November 2019 as he was on medical leave.</p> <p>b) YBhg. Dato' Syed Mohamad bin Syed Murtaza could only able to attend 4 out of 7 Board meetings held in 2019 due to his other prior meeting commitment and business trip.</p> <p>Nevertheless, both Directors have fulfilled the meeting attendance requirement as imposed by Bursa Malaysia Securities Berhad.</p>

In addition to the above, shareholders also raised some questions during the Meeting and below is the key pertinent points: -

	Key matter raised by the shareholders	Response from the Board/ Management
1)	<p>What are the Company's measures and efforts to ensure the cleanliness and quality of water apart from maintaining uninterrupted water supply to the consumers?</p>	<p>PBAHB places ultimate attention in maintaining the quality of the water it supply to its consumers and have been advising the building management of high-rise residential buildings to carry out regularly maintenance of its water reticulation system to ensure the</p>

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		quality of treated water which is distributed within the building. PBAHB is only responsible on the quality of the water up to the meter of all buildings.
2)	It was proposed that the Company purchase its own shares and to distribute treasury shares to its shareholders.	<p>PBAHB is a profit regulated company where our profit is regulated by Regulator.</p> <p>The Company needs to ensure there is sufficient cash flow to support its capital expenditures while taking care of the interest of the public and other stakeholders. Notwithstanding that, the Company would endeavour to review its share buy-back exercise subject to the performance of the Group.</p>
3)	Prevention measures on water pollution.	<p>The Company implemented the following security measures in its water supply system to ensure the water supply is not being polluted: -</p> <ul style="list-style-type: none">a) Advise the state government to carry out strict enforcement of laws whereby there shall be no factory beside the river;b) Strictly impose a 30 metre buffer zone on both side of the "strategic river";c) Full day patrol by auxiliary policemen along the river for security purpose. <p>In Penang, the said 30-metre buffer zone is applied along 14 km of the Sungai Dua, where raw water is extracted from Sungai Muda at the Lahar Tiang intake and channelled into Sungai Dua Treatment Plant.</p>

There being no other question, the Audited Financial Statements for the Financial Year ended 31 December 2019, together with the Reports of the Directors and Auditors thereon were received.

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ITEM 2 ON AGENDA

PAYMENT OF A FINAL SINGLE TIER DIVIDEND OF 1.75 SEN PER SHARE IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Ordinary Resolution No. 1 in relation to the payment of a final single tier dividend of 1.75 sen per share for the Financial Year ended 31 December 2019 on 16 October 2020 was approved by the shareholders.

ITEM 3 ON AGENDA

RE-ELECTION OF RETIRING DIRECTORS

In accordance to with the following Regulations of the Constitution of the Company, the following Directors were subject to retirement at the Meeting:

Regulation 121:

- i) YB Prof. Dr. P. Ramasamy A/L Palanisamy, under Resolution 2;
- ii) YB Dato' Sarul Bahiyah Binti Abu, under Resolution 3;
- iii) YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff; and
- iv) YBhg. Dato' Syed Mohamad Bin Syed Murtaza

YBhg. Dato' Seri Nazir Ariff Bin Mushir Ariff and YBhg. Dato' Syed Mohamad Bin Syed Murtaza, who retired by rotation in accordance with Regulation 121 of the Company's Constitution, had expressed their intention not to seek for re-election. Hence, they retired as Directors of the Company at the conclusion of the AGM. The Board expressed its appreciations for their past services rendered to the Company.

Regulation 119:

- i) YB Dato' Abdul Razak bin Jaafar, under Resolution 4.

All the abovementioned Ordinary Resolution Nos. 2 to 4 as set out in the Notice of this AGM were approved by the shareholders.

ITEM 4 ON AGENDA

PAYMENT OF BENEFITS PAYABLE TO DIRECTORS UNDER SECTION 230(1)(B) OF THE COMPANIES ACT, 2016

The Ordinary Resolution No. 5 in relation to the payment of benefits payable to the Directors up to an amount of RM650,000.00 for the period from 9 September 2020 until the next Annual General Meeting of the Company pursuant to Section 230(1)(b) of the Companies Act, 2016 was approved by the shareholders.

ITEM 5 ON AGENDA

RE-APPOINTMENT OF MESSRS GRANT THORNTON AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT AGM AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

The Ordinary Resolution No. 6 in relation to the re-appointment of Messrs. Grant Thornton as Auditors of the Company on a remuneration to be determined by the Directors was approved by the shareholders.

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ITEM 6 ON AGENDA

AS SPECIAL BUSINESS, TO PASS THE FOLLOWING RESOLUTIONS: -

- 6.1 PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF ITS ISSUED AND PAID-UP ORDINARY SHARE CAPITAL
(UNDER ORDINARY RESOLUTION NO. 7)**
 - 6.2 MANDATE FOR YBHG. DATO' AGATHA FOO TET SIN WHO HAS SERVED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY FOR A CUMULATIVE TERM OF MORE THAN NINE (9) YEARS, TO CONTINUE TO ACT AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY
(UNDER ORDINARY RESOLUTION NO. 8)**
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Both the above Resolution Nos. 7 and 8 as set out in the Notice of this AGM were approved by the shareholders.

There being no other business, the Chairman concluded the Meeting and thanked all participants for their attendance. The Meeting ended at 11:25 a.m. with a vote of thanks to the Chair.