

PBA HOLDINGS BHD.

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

Minutes of the Twenty-Second Annual General Meeting ("22nd AGM") of the Company held on a fully virtual basis hosted on Securities Services E-Portal in Malaysia with the Chairman of the Meeting present in Penang on Monday, 20 June 2022 at 10:00 a.m.

DIRECTORS :	YAB Tuan Chow Kon Yeow, Non-Independent and Non-Executive Chairman – Chairman of the meeting ("YAB Chairman")
	YB Prof. Dr. P. Ramasamy a/l Palanisamy, Non-Executive Director and Nomination and Remuneration Committee Chairman
	YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus, Non-Executive Director
	YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari, Non-Executive Director
	YB Tuan Zairil Khir Johari, Non-Independent and Non-Executive Director
	YB Tuan Muhammad Faiz Bin Fadzil, Non-Independent and Non-Executive Director
	YB Tuan Muhammad Bakhtiar Bin Wan Chik, Non-Independent and Non-Executive Director
	YBhg. Dato' Agatha Foo Tet Sin, Senior Independent and Non-Executive Director
	Puan Mary Geraldine Phipps, Independent Non-Executive Director and Audit and Risk Management Committee Chairman
	YBhg. Dato' Brian Tan Guan Hooi, Independent and Non-Executive Director
	Encik Ha Charm Mun, Independent and Non-Executive Director
	Cik Lim Kim Suan, Independent and Non-Executive Director
ABSENT WITH APPOLOGY:	YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd. Rahman, Non-Independent and Non-Executive - Deputy Chairman
BY INVITATION:	YBhg. Dato' Ir. Jaseni Maidinsa (Group Chief Executive Officer) ("Group CEO") Mr. Loo Wei Teng, Messrs. Grant Thornton Malaysia PLT (Messrs. GT PLT, External Auditors)
IN ATTENDANCE:	Ms. Chua Siew Chuan (Company Secretary)
SHAREHOLDERS, CORPORATE REPRESENTATIVES AND PROXIES:	As per participants logged in to the Securities Services e-Portal

CHAIRMAN'S ADDRESS

YAB Tuan Chow Kon Yeow ("YAB Chairman") welcomed all to the live streaming of the 22nd AGM of PBA Holdings Bhd from their respective locations and called the Meeting to order at 10:00 a.m.

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YAB Chairman informed that as part of the initiatives and the safety measures to curb the spread of Coronavirus Disease 2019 ("COVID-19"), and having regard to the well-being and the safety of the shareholders, the 22nd AGM was conducted virtually via live stream webcast and online remote voting using the remote participation and voting facilities without any physical attendance by shareholders and proxies.

YAB Chairman introduced the Board of Directors, the Group CEO, the Company Secretary and the External Auditors who joined the Meeting remotely. YAB Chairman informed the Meeting that the Company's Deputy Chairman, YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman conveyed his apologies for not being able to attend the Meeting as he was on his pilgrimage.

QUORUM

With the requisite quorum for the Meeting being present in accordance with Regulation 74 of the Company's Constitution, YAB Chairman declared the Meeting duly convened.

PROCEEDINGS AND VOTING PROCEDURE

YAB Chairman informed the Meeting that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions which were put forth for voting at the Meeting would be voted by poll. He then exercised his rights as the Chairman of Meeting to demand for a poll in accordance with Section 330 of the Companies Act 2016 in respect of all resolutions which to be put forth for voting at the Meeting.

YAB Chairman further informed that with the remote participation and voting facilities, all shareholders and proxies may post questions and vote remotely. The voting module had been made accessible to all shareholders and proxies to cast and submit their votes from the start of the Meeting and would continue to be accessible for an additional 10 minutes after the Meeting had dealt with all the questions transmitted during the Meeting.

The Meeting was informed that the Company had taken all efforts to ensure a smooth live stream, however, the quality of the broadcast may be affected by the shareholders' and proxies' own bandwidth connection and stability at their respective remote locations.

The Company Secretary briefed that the Meeting would first be taken through each item of the Agenda, followed by the question-and-answer session ("Q&A session") to respond to the questions transmitted by shareholders and proxies. The Securities Commission of Malaysia has stipulated that shareholders and proxies could rely on real time submission of typed texts to exercise their rights to speak or communicate in the Meeting by submitting questions or remarks in relation to the items in the Agenda through the text box below the live stream player within the e-Portal page.

The Meeting was further informed that SS E Solutions Sdn. Bhd. was the appointed Poll Administrator while Commercial Quest Sdn. Bhd. was the appointed Independent Scrutineer to verify the results of the poll voting. A step-by-step guide together with a short audio clip on the online voting module within e-Portal was then played.

YAB Chairman also informed the Meeting that the Company was using the Record of Depositors as of 13 June 2022 for the Meeting.

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NOTICE

The Notice convening the Meeting having been circulated within the prescribed period was taken as read.

AGENDA 1: AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 TOGETHER WITH THE REPORTS OF THE DIRECTORS' AND AUDITORS' THEREON

YAB Chairman informed that the first item on the Agenda was to receive the Audited Financial Statements for the financial year ended 31 December 2021 ("AFS 2021") together with the Reports of Directors and Auditors thereon. The Annual Report 2021 including the said audited financial statements had been forwarded to all the shareholders on 29 April 2022.

The Meeting noted that formal approval from shareholders was not required for this item on the Agenda pursuant to Section 340(1)(a) of the Companies Act 2016 and hence, the AFS 2021 not put forward for voting. YAB Chairman declared the 2021 AFS received.

YAB Chairman reiterated that he would respond to the questions transmitted via the text box after all the items on the Agenda have been dealt with.

AGENDA 2: ORDINARY RESOLUTION 1: PAYMENT OF A FINAL SINGLE TIER DIVIDEND OF 1.00 SEN PER SHARE IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

YAB Chairman informed that the second item on the Agenda was to approve the payment of a final single-tier dividend of 1.00 sen per share for the financial year ended 2021. The Company had paid a first interim single-tier dividend of 1.25 sen per share for the financial year ended 2021.

The proposed final dividend, if approved, would bring the total dividend for year 2021 to 2.25 sen per share and would be paid to all shareholders on 29 July 2022 based on the dividend entitlement date on 15 July 2022.

AGENDA 3: ORDINARY RESOLUTIONS 2 TO 5: RE-ELECTION OF RETIRING DIRECTORS IN ACCORDANCE WITH REGULATION 121 OF THE CONSTITUTION OF THE COMPANY

The Meeting noted that in accordance with Regulation 121 of the Constitution of the Company, the following Directors were due to retire at the Meeting:

- i) YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman;
- ii) YB Tuan Zairil Khir Johari;
- iii) YB Tuan Muhammad Faiz Bin Fadzil; and
- iv) Dato' Brian Tan Guan Hooi.

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ORDINARY RESOLUTIONS 6 AND 7: RE-ELECTION OF RETIRING DIRECTORS IN ACCORDANCE WITH REGULATION 119 OF THE CONSTITUTION OF THE COMPANY

The Meeting noted that in accordance with Regulation 119 of the Constitution of the Company, the following two (2) Directors were due to retire at the Meeting:

- i) YB Dato' Dr. Ahmad Jailani bin Muhamed Yunus; and
- ii) Cik Lim Kim Suan.

AGENDA 4: ORDINARY RESOLUTION 8: PAYMENT OF BENEFITS PAYABLE TO DIRECTORS UNDER SECTION 230(1)(b) OF THE COMPANIES ACT, 2016 ("THE ACT")

YAB Chairman informed that item 4 of the Agenda was to consider and if thought fit, to approve the payment of the benefits payable to the Directors up to an amount of RM600,000.00 for the period from the conclusion of this AGM until the next AGM of the Company pursuant to Section 230(1)(b) of the Companies Act, 2016. The details of the benefits payable were disclosed in explanatory note 4 of the Notice of 22nd AGM.

AGENDA 5: ORDINARY RESOLUTION 9: APPOINTMENT OF MESSRS. KPMG PLT AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT AGM AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION

YAB Chairman informed that item 5 on the Agenda was to appoint Messrs. KPMG PLT as Auditors of the Company in place of the retiring auditors, Messrs. Grant Thornton Malaysia PLT for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.

The Meeting was informed that Messrs. KPMG PLT had given their consent to act as the Auditors of the Company.

AGENDA 6.1: ORDINARY RESOLUTION 10: 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 ("PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE")

YAB Chairman informed that item 6.1 on the Agenda was to consider and thought fit, to approve the Proposed Renewal of Share Buy-Back Mandate to facilitate the Company to purchase its own ordinary shares of up to 10% of the issued and paid-up ordinary share capital of the Company at the prevailing terms as imposed by the relevant authorities.

The details of the Proposal had been disclosed in the Share Buy-Back Statement dated 29 April 2022, which had been despatched to all the shareholders together with the Company's Notice of AGM.

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**AGENDA 6.2: ORDINARY RESOLUTION 11:
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 TWELVE
(12) YEARS, TO CONTINUE TO ACT AS INDEPENDENT NON-
EXECUTIVE DIRECTOR OF THE COMPANY**

YAB Chairman informed the Meeting that this Agenda item was to consider and if thought fit, to approve the ordinary resolution to retain YBhg. Dato' Agatha Foo Tet Sin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 9 June 2009, to continue to act as an Independent Non-Executive Director of the Company.

Both the Nomination and Remuneration Committee together with the Board of Directors had assessed the independence of YBhg. Dato' Agatha Foo Tet Sin and recommended her to continue to serve as an Independent Non-Executive Director of the Company based on justifications as set out in the explanatory note 6.2 on the Special Business in the Notice of AGM. In line with Practice 5.3 of the Malaysian Code on Corporate Governance, the approval of shareholders for this resolution will be sought through a two-tier voting process.

**AGENDA 7: ANY OTHER ORDINARY BUSINESS APPROPRIATE TO AN ANNUAL
GENERAL MEETING**

The Meeting was advised that there was no notice of any other business received.

QUESTION AND ANSWER ("Q&A") SESSION

YAB Chairman informed the Meeting that the Company had received some questions from the Minority Shareholders Watch Group ("MSWG") via their letter dated 8 June 2022. Before sharing the Company's reply to the questions raised by MSWG as per Appendix "A" attached, YAB Chairman briefed the shareholders the impact of Covid-19 pandemic on water supply operations in Penang and financial performance of the Group for financial year 2021.

Apart from the questions raised by MSWG, the following questions were posted and YAB Chairman and the Group CEO responded as follows:

- 1. • What is the Company's future outlook?
• Will the Board consider giving door gifts such e-voucher or e-wallets for those participating in the AGM as a token of appreciation?**

PBAHB's response:

The outlook for second quarter of financial year ending 2022 looks bright because most businesses have resumed operations and Malaysia's borders are fully reopened on 1 April 2022. In view that Penang's economy is dependent on tourism and manufacturing sectors, the Company experienced more economic activities after the lockdown ended.

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The Board would consider providing door gifts when the Company convene its physical AGM as the logistics for giving e-vouchers or e-wallets are more cumbersome.

2. Is Penang going to face water shortage due to a surrounding State not wanting to share a river water resource? How to manage this risk?

PBAHB's response:

Currently, Penang is facing raw water shortage risk from the Northern region from Kedah and the Southern region from Perak. For Kedah, the subsidiary of the Company, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) had raised the issue to the Prime Minister, Member of Parliament and the Majlis Air Negara.

To solve the issue, the Board is of the view that raw water in Ulu Muda and Muda River need to be managed by setting up the Ulu Muda Water Basin Authority, which consists of Penang State Government, Kedah State Government, Perlis State Government, Northern Corridor Economic Region, Suruhanjaya Perkhidmatan Air Negara (SPAN) and Ministry of Environment and Water.

In respect of the Sungai Perak Raw Water Transfer Scheme (or SPRWTS), the Penang State Government had initiated the meeting with the Chief Minister of Perak to discuss the issue and had also written to the Prime Minister to bring to his attention on this matter.

Since 2019, PBAPP had proposed the water contingency plan, i.e., the Penang Water Supply Initiative 2050 (PWSI 2050) to handle this risk to ensure sustainable raw water supply for Penang. Recently, PBAPP has also drafted a medium term contingency plan, Raw Water Contingency Plan 2030 (or RWCP 2030) (which is part of the PWSI 2050) to address the third delay of implementation of SPRWTS.

3. • What are the reasons for our Company's revenue decline and increasing expenses? • How will sufficient sustainable profitability continue to be attained without another water tariff increase to consumers?

PBAHB's response:

The main reason for the decline in revenue was due to the low water tariffs for the domestic consumers, the reduced usage by trade consumers, such as hotels, shopping malls, and factories during the Malaysia Government Movement Control Order (MCO). While the increased expenses was due to inflation and shortage of raw materials. The Group faced a drop in profitability due to rising costs. Therefore, implementing of new water tariff was vital for the Group to continue supplying uninterrupted, good quality water to all Penangnites, whether domestic or trade users. People need to support the said tariff revision in order for the Group to have sufficient funds for capital expenditure to carry out all the project plans to ensure continuous, sustainable water supply.

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4. **Watching the videos before the AGM start is really enjoying. There are so many interesting waterfalls, dams, water treatment plants are featured in those videos. One of the drone videos on Air Itam water treatment plant shows how close my father's house is to the said treatment plant. Congratulations for the job well done by PBA over the years.**

PBAHB's response:

YAB Chairman thanked the shareholder for the compliments.

Those videos are named as heritage series and are in line with the heritage background of Penang. Penang being the UNESCO heritage site, surrounded by historical buildings, including its water supply infrastructure. PBAPP hoped those videos could create awareness on heritage water supply infrastructure in Penang in addition to its heritage buildings.

YAB Chairman encouraged all to share those videos to more people for them to appreciate the contribution by the Group.

5. **The Chairman Statement on page 21 stated that "If the South Perak Raw Water Transfer Scheme (SPRWTS) cannot be implemented, PBAPP may have to build desalination plants at strategic locations to start "converting" seawater into potable water."**
- **Singapore has successfully implemented desalinated water in their country's water supply system. Has any study been done so far to evaluate similar options for Penang in the future?**
 - **When will a decision be made on the desalination option?**

PBAHB's response:

In view that Penang is surrounded by sea, desalination is an option that the Board could emulate from Singapore and other water stressed countries. The Management is currently studying the suitability of various options for desalination. As the cost of desalination is not cheap, the Board will make a decision upon the conclusion of the study in the best interest of the people of Penang.

Under the PWSI 2050, PBAPP had provided several alternative solutions to Penang State Government in the event the implementation of SPRWTS continued to be delayed. The first delay of SPRWTS was in 2013 (2013 – 2020), and the second delay was in 2018 (2018 – 2025). Recently, Penang State Government had met the Chief Minister of Perak to discuss the proposed commencement of project by 2023. If the said project is still unable to kick off by 2023, PBAPP may have to build desalination plants at strategic locations to start the desalination option by 2027 and commissioning by 2033.

However, PBAPP had also highlighted to the Penang State Government that surface water technology is always cheaper than the desalination. At this juncture, PBAPP is waiting for the Engineering Study Final Report from SPAN before the State could decide to continue pursue with the SPRWTS.

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6. Whether dividend will be declared for 2022?

PBAHB's response:

During financial year (FY) 2021, the proposed payment of final dividend was tabled under the Resolution 2 of the 22nd AGM for the shareholders' approval. As for FY2022, any declaration of dividend will depend on the Group's performance.

7. The capital commitments of PBA under "Contracted but not provide for" and "Authorised but not contracted for" in respect of FY2021 amounted to RM62 million and RM312 million respectively (page 218 of the Annual Report).

- **Please provide the breakdown on the intended capital expenditure (or Capex) for the RM62 million contracted for in FY2021; and**
- **What are the main Capex budgeted for under the authorised but not contracted value of RM312 million?**

PBAHB's response:

The Capital Commitments of FY2021 were based on the approved Business Plan (OP4) submitted to SPAN in 2019 for three (3) years from 2020 to 2022 to support the projects to maintain continuous water supply comprise upgrading of existing infrastructure and new projects in order to meet the water demand.

Based on PBAPP's study in 2009, the most important project since 2011 was SPRWTS, which formed one of the core projects as stated in PWSI 2050 and the said project cost had been divided and included in several Business Plans of PBAPP.

8. The Capex spent under the item "Purchase of property plant and equipment (PPE)" reduced from RM97.327 million in FY2020 to RM28.354 million for FY2021 (Cash Flow Statement page 167).

- **What are the reason(s) the substantial decrease in the purchase of PPE in FY2021?**
- **Will the Capex in FY2022 be increased to the amount similar to FY2020?**

PBAHB's response:

During FY2021, many Capex projects of PBAPP were delayed or postponed as a results of Covid-19 pandemic. Thus, there was substantial decrease in Capex. The Company expected Capex to be normalised in FY2022.

9. The intention or plans to increase the water tariff had been published in the newspaper. When will PBA implement this?

PBAHB's response:

PBAPP had submitted its Business Plan (OP5) for the new water tariff review to SPAN on 30 March 2022. The increase in water tariff could only be implemented when OP5 has been approved by Parliament.

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10. Does the Company have real estate/land to unlock value for shareholders?

PBAHB's response:

PBAPP was previously the Penang Water Authority or Pihak Berkuasa Air (part of Penang State Government). Most of the lands vested to PBAPP were for the usage of water utility related activities. Therefore, the PBAPP's lands do not have commercial titles which could be freely transacted or utilised.

11. The unabsorbed reinvestment allowance (RA) of the Group has an amount totaling RM605.043 million which will expire for the Year of Assessment 2025.

- **Will the Group be able to utilise this RM605.043 million to offset its profits before its expiry in 2026?**
- **As the profit before tax of the Group only amounted to between RM28 million to RM31.5 million in the past 2 years, it is likely that there will be substantial balance remaining at expiry. What will happen to the unutilised balance?**

PBAHB's response:

The Group did not expect to utilize all the unabsorbed RA, unless there is a change in the law (i.e. the Finance Act 2018) that allows the Group to carry forward the unabsorbed RA beyond 7 years.

12. PBA Group was able to generate steady net cash from operating activities in the past 3 years but on a declining trend from RM138.211 million in FY2019 down to only RM86.211 million in FY2021 (page 167 of the Annual Report). The 1st quarter of 2022 results released in May 2022, has shown an improvement in the net cash generated from operating activities. Will PBA be able to maintain this improvement for the rest of FY2022?

PBAHB's response:

If the application of new water tariff review is successful, it would improve the Group's cash flow position.

13. What are PBA's plans for a water savings culture in Penang?

PBAHB's response:

The Company carry out various education programs to inculcate water saving practices among our consumers, public and also work closely with Water Watch Penang and Penang Green Council to bring awareness on the importance of conserving this valuable resource.

In long run, PBAPP had tabled to the Penang State Government in 2017 to impose new condition to all developers in Penang to install the water saving devices in their new development projects. With the assistance from the two local councils in Penang, this condition had been implemented since 2018.

Notwithstanding that, the review of the water tariff in Penang is needed to lower the consumption of water in Penang.

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14. Will Company revert to physical AGM next year?

PBAHB's response:

The Board will assess the situation next year before deciding on the form of the AGM. If the situation permits, the Company will consider convening physical AGM.

POLLING PROCESS

Having dealt with all the questions, YAB Chairman closed the Q&A session. At this juncture, the step-by-step guide together with a short audio clip on the online voting module within the e-Portal was played again. Shareholders and proxies were given another 10 minutes to cast and submit their votes.

Upon the closure of the voting session, the Scrutineer proceeded to verify the poll results, while the Company's corporate videos on water supplies heritage series were played.

DECLARATION OF POLLING RESULTS

After the verification of poll results by the Scrutineer, the results of the poll as follows were shown on the screen:

Resolution(s)	Vote For		Vote Against	
	No. of Shares	%	No. of Shares	%
Ordinary Resolution 1	229,146,404	99.9990	2,400	0.0010
Ordinary Resolution 2	229,136,304	99.9945	12,500	0.0055
Ordinary Resolution 3	229,136,304	99.9945	12,500	0.0055
Ordinary Resolution 4	229,136,304	99.9945	12,500	0.0055
Ordinary Resolution 5	229,128,004	99.9909	20,800	0.0091
Ordinary Resolution 6	229,136,304	99.9945	12,500	0.0055
Ordinary Resolution 7	229,130,904	99.9922	17,900	0.0078
Ordinary Resolution 8	229,121,304	99.9889	25,500	0.0111
Ordinary Resolution 9	229,148,404	99.9998	400	0.0002
Ordinary Resolution 10	229,136,404	99.9946	12,400	0.0054
Ordinary Resolution 11				
Tier 1 – Large Holder	182,050,001	100.0000	0	0.0000
Tier 2 – Other Holders	47,083,303	99.9671	15,500	0.0329

Based on the above verified poll voting results, YAB Chairman declared that Resolutions 1 to 11 were all carried.

It was hereby **RESOLVED**:

Resolution 1

THAT the payment of a single tier final dividend of 1.00 sen per share in respect of the financial year ended 31 December 2021 be hereby approved.

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Resolution 2

THAT YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman, a retiring Director in accordance with Regulation 121 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 3

THAT YB Tuan Zairil Khir Johari, a retiring Director in accordance with Regulation 121 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 4

THAT YB Tuan Muhammad Faiz Bin Fadzil, a retiring Director in accordance with Regulation 121 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 5

THAT YBhg. Dato' Brian Tan Guan Hooi, a retiring Director in accordance with Regulation 121 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 6

THAT YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus, a retiring Director in accordance with Regulation 119 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 7

THAT Cik Lim Kim Suan, a retiring Director in accordance with Regulation 119 of the Company's Constitution, be hereby re-elected as Director of the Company.

Resolution 8

THAT the benefits payable to the Directors up to an amount of RM600,000.00 for the period from the conclusion of this AGM until the next AGM of the Company be hereby approved.

Resolution 9

THAT the appointment of Messrs. KPMG PLT as Auditors of the Company in place of the retiring auditors, Messrs. Grant Thornton Malaysia PLT for the financial year ending 31 December 2022 and authority to the Directors to fix their remuneration be hereby approved.

Resolution 10

THAT, subject always to the Companies Act 2016 (the "Act"), the Company's Constitution, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised, to the fullest extent permitted by law to purchase such amount of ordinary shares 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:

- i) the aggregate number of PBAHB Shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company including the shares previously purchased and retained as Treasury Shares (if any);

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- ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares under the Proposed Renewal of Share Buy-Back Authority shall not exceed the aggregate of retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase, upon such terms and conditions as set out in the Statement to Shareholders dated 29 April 2022;

THAT the authority conferred by this resolution shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed at which time it will lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of PBAHB Shares before the aforesaid expiry date and, 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;

THAT upon completion of the purchase(s) of the PBAHB Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the PBAHB Shares purchased in their absolute discretion, either to cancel PBAHB Shares so purchased or to retain 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 PBAHB Shares so purchased as treasury shares and/or subsequently cancelled, or to retain part of PBAHB Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, the requirements of Bursa Securities and all other applicable laws, guidelines, rules and regulations issued by other relevant authority for the time being in force;

AND THAT the Board of Directors be and are hereby authorised to take all such steps as necessary or expedient to implement, finalise, complete or to give full effect to the above purchase(s) with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time or as the Board may in their discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company.

Resolution 11

THAT YBhg. Dato' Agatha Foo Tet Sin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 9 June 2009, be and is hereby retained as Senior Independent Non-Executive Director of the Company.

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TERMINATION

YAB Chairman thanked the shareholders and proxies for their participation and support and concluded the Meeting at 11:35 a.m.

Confirmed as a correct record,

(SIGNED)

YAB CHOW KON YEOW
Chairman

Dated:

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Appendix "A"

ANSWERS TO QUESTIONS POSTED BY THE MINORITY SHAREHOLDER WATCHDOG GROUP ("MSWG") AT THE 22nd AGM OF PBA HOLDINGS BHD.

Operational & Financial Matters

Question 1:

While maintaining people-friendly water tariffs in Penang has always been a priority, "water availability" should be prioritised over "water affordability" when a foreseeable crisis is looming over the horizon, as noted on Page 37 of the 2021 Annual Report. Furthermore, Penang has the highest domestic water consumption of 308 litres per capita per day. Considering the above, PBAPP will apply for a water tariff review based on its 5th Business Plan submission to SPAN.

When is the 5th Business Plan expected to be submitted and when is the outcome expected to be known?

PBAHB's answer:

The PBAPP management has already submitted its 5th Business Plan to the National Water Services Commission, or SPAN, on 30.3.2022. This is a mandatory requirement for PBAPP to maintain its licence as the water supply operator that serves Penang.

PBAPP is now liaising with SPAN to get approval for the business plan and a Penang water tariff proposal as quickly as possible.

Please note that water supply industry in Malaysia is regulated by the Federal Government. Every water tariff review for every state in Peninsular Malaysia is subject to Federal Government approval before it is gazetted as law in compliance to the Water Services Industry Act 2006 (WSIA 2006).

We hope that the Federal Government expedite our application for a Penang tariff review and will give us the necessary approval in 2022.

This is because an annual PAT of RM36.74 million is insufficient to cover investments required for urgent water supply projects that Penang needs badly.

MSWG is correct in noting that Penang's per capita domestic consumption is the highest in Malaysia.

Today, PBAPP is facing an overwhelming demand issue. Domestic consumption in Penang has reached an all-time high of 570 MLD in May 2022 while trade consumption has been escalating since the endemic phase of Covid-19 commenced on 1.4.2022.

In fact, Penang's total water consumption reached 945 MLD in May 2022, as compared to 843 MLD in 2019 before the Covid-19 pandemic. This represents an extraordinary surge in consumption of 12.1% over 3 years.

As at June 2022, PBAPP is striving to address incidences of unscheduled water supply interruptions in a few areas in Seberang Perai Selatan. Moreover, we can foresee that water consumption escalate further in the near future because more new factories and housing projects will be "coming online" soon.

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At present, PBAPP is pushing the limits of its 9 water treatment plants to produce an average of 945 MLD. If water demand continues to escalate, we cannot possibly supply more water unless we commission more new water treatment plants or treatment modules.

PBAPP has foreseen the need for additional water supply projects to meet higher water demand.

In 2019, PBAPP published its Penang Water Supply Initiative 2050, or PWSI 2050, to ensure water supply sustainability until Year 2050.

In 2021, PBAPP publicised its Raw Water Contingency Plan 2030, or RWCP 2030, to ensure water supply sufficiency for Penang until Year 2030, in response to continuing delays in the implementation of the Sungai Perak Raw Water Transfer Scheme or SPRWTS.

The RWCP 2030 lists 5 key projects that must be commissioned from 2022 to 2028.

The problems lies with the CAPEX that is required. The projected total investment for these projects will amount to hundreds of millions of ringgit.

Back in 2019, PBAPP applied for a Penang tariff review. However, in July and December 2020, the Ministry of Environment and Water announced that all water tariff review proposals in Malaysia had been put on hold because of the negative socioeconomic effects of the Covid-19 pandemic.

Now, in 2022, we are re-applying for a tariff review in the endemic phase.

Please allow me to reiterate that we cannot implement a tariff review without Federal Government approval. This is a legal requirement enshrined in Federal law.

Hence, we can only expect the Federal Government to react positively, and in a timely manner, before Penang experiences widespread water supply issues.

Question 2:

In the Chairman's Message, on pages 18 and 19 of the 2021 Annual Report, it was mentioned that every water tariff review for every state in Peninsular Malaysia is subject to Federal Government approval before it is passed as an amendment to the WSIA 2006. PBAPP may not legally or arbitrarily introduce new water tariffs in Penang without Federal Government approval.

However, separately in the media statement dated 11.6.2011, as released by ex-Penang Chief Minister YAB Lim Guan Eng, it was stated that with water restructuring agreements between the Penang State Government and the Federal Government, "the State Government retains control over the rate of water tariffs so that the people of Penang decide and not the Federal Government". Please clarify the contradicting statements.

PBAHB's answer:

The statements in the 2021 PBAHB Annual Report are correct. By law, the Federal Government holds the power and is responsible for approving water tariffs in accordance to the SPAN Act 2006 (Act 654) and the Water Supply Industry Act 2006 (655).

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Please think about this: If the statements are incorrect, why would PBAPP submit its 5th Business Plan to SPAN for approval and apply for a Penang water tariff review through SPAN?

As for what my predecessor stated, I think it means that the Penang Chief Minister and the Penang State Executive Council are appointed by the party, or parties, who receive majority support from the people of Penang after an election campaign. As such, the Penang CM and State Exco may be said to be "elected" by the people of Penang.

Please note that the Penang CM and State Exco Members also serve on the Boards of PBAPP and PBAHB. We represent the interests of the people. The PBAPP and PBAHB Boards may decide to allow or disallow PBAPP to apply for a water tariff review.

Moreover, if PBAPP applies for a tariff review, the Federal Government may approve the application but recommend the implementation of water tariffs that is different than what PBAPP had applied for.

As a matter of formality, PBAPP will table all Federal Government approved tariff reviews to the Penang State Government before implementation. If the Penang State Government finds that the Federal Government's approved tariffs are not reasonable, it reserves the right to direct PBAPP to re-apply to SPAN for an alternative tariff review with justifications.

In any case, we are now living in 2022. Penang is facing a high water risk.

PBAPP's 5th Business Plan and Penang water tariff review submission to SPAN has been pre-approved by this PBAHB Board of Directors and the Penang State Executive Council.

We now need the prompt approval of the Federal Government to implement the water tariff review before we face widespread water issues in Penang. We need to raise enough funds for PBAPP to do its job in avoiding a water crisis in Penang.

This is the urgent and current challenge we need to focus on.

Question 3:

The group's revenue has been on the uptrend since its public listing in 2002. However, the net profit generally stayed range-bound below RM50 million in the past 20 years. PBAPP has been cross-subsidising water consumption by every Penang domestic consumer with earnings from trade consumption billings. In 2021, this resulted in a domestic subsidy totalling RM97.3 million. Also as disclosed in the 2021 Annual Report, PBAHB cannot function as a fully profit-driven company because water supply is an essential public service that should be provided to as many people as possible.

As a listed entity, is the Group exploring business diversification to create value for the shareholders?

PBAHB's answer:

PBAHB has always made clear the fact that it cannot be a fully profit-driven company because water supply is an essential service.

PBAHB has paid dividends to its shareholders for 20 consecutive years in the period 2002 to 2021. After this AGM, 2022 will mark the 21st consecutive year in which PBAHB pays dividends.

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In its early years, PBAHB had ventured into various business diversification activities. The results did not fully justify investments in terms of resources, time and money.

So, PBAHB is not looking into business diversification at this point in time. This does not mean that we are not open to potential opportunities that may arise. It means that we are not focused on pursuing new businesses.

At present, PBAHB, through its principal subsidiary, PBAPP, is focusing squarely on the water supply business in Penang. In the foreseeable future, our primary source of revenue will be derived from the sale of water and the provision of water supply services in Penang.

It is very important to pay full attention to water supply in Penang now. We are just emerging from a pandemic era and we need to move fast in socioeconomic recovery mode. Accordingly, water demand is escalating and we must ensure that Penang has enough water for the future.

We are applying for a Penang water tariff review. If our application is approved, higher earnings will mostly be directed to finance the RWCP 2030.

Nevertheless, we will never forget our commitment to our PBAHB shareholders. Of course, we want to deliver the best value possible and the Board of Directors will continue to steer PBAHB towards this objective.

Question 4:

In the past 5 years, other operating income contributed significantly to the group's earnings, making up at least one-third of the group's net profit.

- a) What are the key components in the operating income?
- b) The other operating income generated from 2016 and 2019 alone was above RM20 million but it dropped below RM 20 million in FY 2020 and FY 2021. What were the reasons for the decline in other operating income?
- c) Is other operating income sustainable going forward?

PBAHB's answer:

PBAHB's other operating income refers to income from fund placements in money market investments; rental of land and buildings; fees for water supply services; and amortised interest from government term loans.

There is less amortised interest from government term loans as compared to previous years because PBAPP had paid back RM80 million in State Government loans ahead of time.

Fees which PBAPP charges for various water supply services include fees for disconnections of water supply, reconnections of water supply and water supply application processing. The total fees earned should be fairly consistent, with marginal increases from year to year as related to a growing water consumer base.

Income from the rental of land and buildings should be fairly stable.

Meanwhile, income from fund placements in money market investments have declined in recent years due to global factors.

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In general, PBAHB expects its other operating income to be fairly sustainable, subject to socioeconomic developments on the global and local fronts.

Corporate Governance Matters

Question 5:

Practice 5.3 – The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

There is a resolution to be proposed at the upcoming AGM to seek shareholders' approval to be given for YBhg Dato' Agatha Foo Tet Sin, an Independent Director of the Company. Please explain why a two-tier voting process for the resolution above is not adopted at the 22nd AGM?

PBAHB's answer:

The Company adopts the recommendation of the Malaysian Code on Corporate Governance and has been practicing the two-tier voting process since 2021. The Company will continue to practice the same for resolution to retain YBhg Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director via a two-tier voting process at this 22nd AGM.

In addition to the above, the Board also provide its justification to retain YBhg Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director under explanatory notes 6.2 of AGM notice (page 243) and Corporate Governance Overview Statement (page 121) in the Annual Report 2021.