

## **PBA HOLDINGS BHD.**

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

Minutes of the Twenty-Third Annual General Meeting (23<sup>rd</sup> AGM or Meeting) of the Company conducted virtually hosted on <https://sshb.net.my/> at the broadcast venue at Amari SPICE Penang, 2 Persiaran Mahsuri, 11900 Bayan Lepas, Pulau Pinang on Tuesday, 27 June 2023 at 9:30 a.m.

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**DIRECTORS:**

YAB Tuan Chow Kon Yeow, Non-Independent and Non-Executive Chairman – Chairman of the Meeting (“YAB Chairman”)

YB Dato’ Ir. Haji Ahmad Zaki Yuddin bin Abd. Rahman, Non-Independent and Non-Executive – Deputy Chairman

YB Prof. Dr. P. Ramasamy a/l Palanisamy, Non-Independent and Non-Executive Director, and Nomination and Remuneration Committee Chairman

YB Dato’ Mohd Sayuthi bin Bakar, Non-Independent and Non-Executive Director

YB Puan Zabidah binti Safar, Non-Independent and 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

YBhg. Dato’ Agatha Foo Tet Sin, Non-Independent and Non-Executive Director

Puan Mary Geraldine Phipps, Senior Independent Non-Executive Director and the Chairperson of the Audit and Risk Management Committee

YBhg. Dato’ Brian Tan Guan Hooi, Independent and Non-Executive Director – *via video-conferencing*

Encik Ha Charm Mun, Independent and Non-Executive Director

Cik Lim Kim Suan, Independent and Non-Executive Director

**BY INVITATION:**

Ir. Pathmanathan a/l Krishnan Kutty Raman Nair  
(Group Chief Executive Officer) (“Group CEO”)

Ms. Lee Phaik Im, representative from Messrs. KPMG PLT  
(External Auditors) – *via video-conferencing*

**IN ATTENDANCE:** Ms. Chew Peck Kheng (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 23<sup>rd</sup> AGM of PBA Holdings Bhd. from their respective locations and called the Meeting to order at 9:30 a.m.

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YAB Chairman informed that the 23<sup>rd</sup> AGM was conducted virtually hosted on <https://sshbsb.net.my/> at the broadcast venue at Amari SPICE Penang, 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, and the Company Secretary who joined the Meeting at the broadcast venue. Dato' Brian Tan Guan Hooi, the Independent and Non-executive Director, and Ms. Lee Phaik Im, the representative from the External Auditors, Messrs. KPMG PLT. joined the Meeting remotely.

### **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.

The Company Secretary informed the Meeting that the Company was using the Record of Depositors as of 19 June 2023 for the Meeting.

### **CHAIRMAN'S NOTE ON THE COMPANY'S PERFORMANCE IN THE YEAR 2022**

Before the Meeting started, YAB Chairman shared some good news with the shareholders.

YAB Chairman informed the shareholders that for the financial year ended 31 December 2022, the Company reported a profit after tax (PAT) of RM77.12 million. The Company's profit before tax (PBT) was RM33 million. About RM49 million of the PAT in 2022 is primarily attributable to the deferred tax assets recognised for unutilised reinvestment allowances to the extent that it is probable of recognition.

Accordingly, the Board has proposed and will table a single tier final dividend of 1.50 sen per share today. If approved, this single tier final dividend will be paid out on 28 July 2023.

In 2022, the Company's principal subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd (PBAPP) continued to charge the lowest domestic tariffs in Malaysia in 2022 for the first 35,000 litres per month. PBAPP's average domestic tariff for the first 35,000 litres per month is only 32 sen per 1,000 litres, which is 141% cheaper than the national average of 77 sen per 1,000 litres in 2020.

In order to sustain the 32 sen per 1,000 litres domestic tariff, PBAPP had to absorb domestic water subsidies amounting to RM103.71 million in 2022. Please think about what PBAHB's PAT would be if PBAPP did not absorb this huge amount in domestic water subsidies in 2022.

As such, it would be fair to say that PBAPP has proved itself to be one of the most efficient water supply operators in Malaysia in 2022. Besides operating profitably, it also fulfilled a significant corporate social responsibility commitment to Penang by providing domestic water subsidies for the benefit of 585,740 domestic water consumers.

On 1 January 2023, PBAPP implemented higher non-domestic tariffs in Penang, in compliance with a Federal Government regulation. The said regulation was set, approved and gazetted as a Federal regulation by the previous Federal Government in July 2022.

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Billing higher for “non-domestic category” tariffs in 2023 will increase revenue. However, the Company does not wish to speculate on “the potential numbers” for the 2023 financial year because of several reasons:

- (i) The Company cannot ascertain if higher tariffs for “non-domestic category” will impact non-domestic consumption in Penang. If companies and organisations react by consuming less water in 2023, the impact of the tariff review on PBAPP’s revenue may be less than expected.
- (ii) Total domestic consumption of water in Penang has increased to 876 million litres per day, or MLD, in the first quarter of 2023. Based on PBAPP estimates, per capita domestic consumption has gone up to about 310 litres per capita per day, or LCD.

The domestic water tariffs have NOT been reviewed. If the high domestic water consumption trend persists throughout 2023, it is likely that PBAPP’s domestic water subsidies may exceed the RM103.71 million recorded in 2022. Higher domestic water subsidies may result in a lower than expected profit after tax.

- (iii) As a public listed company, PBAHB will abide by regulations set by Bursa Malaysia on projections for revenue, PBT and profit after tax.

In short, the Company is looking forward to increase revenue due to the implementation of new tariffs for “non-domestic category” in Penang. However, it would be best for the Company to review the actual results in 2024.

## **PROCEEDINGS AND VOTING PROCEDURE**

The Meeting continued with the briefing on the 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 the Meeting to demand a poll in accordance with Section 330 of the Act in respect of all resolutions that would be put forth for voting at the Meeting to demonstrate shareholder democracy of one-share one-vote.

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 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.

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The Meeting was 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 and a short audio clip on the online voting module within e-Portal were then played.

#### **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 2022 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 2022 (AFS 2022) together with the Reports of Directors and Auditors thereon. The Annual Report 2022 including the said AFS 2022 had been forwarded to all the shareholders on 28 April 2023.

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 Act and hence, the AFS 2022 was not put forward for voting. YAB Chairman declared the AFS 2022 be 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 SINGLE TIER FINAL DIVIDEND OF 1.50 SEN PER SHARE IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

YAB Chairman informed that the second item on the Agenda was to approve the payment of a single tier final dividend of 1.50 sen per share for the financial year ended 2022. The Company had paid a single tier first interim dividend of 1.50 sen per share for the financial year ended 2022.

The proposed final dividend, if approved, would bring the total dividend for year 2022 to 3.00 sen per share and would be paid to all shareholders on 28 July 2023 based on the dividend entitlement date on 14 July 2023.

#### **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 Prof. Dr. P. Ramasamy a/l Palanisamy;
- ii) Puan Mary Geraldine Phipps;
- iii) YBhg. Dato' Agatha Foo Tet Sin; and
- iv) Encik Ha Charm Mun.

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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' Mohd Sayuthi bin Bakar; and
- ii) YB Puan Zabidah binti Safar.

### **AGENDA 4: ORDINARY RESOLUTION 8: PAYMENT OF BENEFITS PAYABLE TO DIRECTORS UNDER SECTION 230(1)(b) OF 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 RM550,000.00 for the period from the conclusion of this AGM until the next AGM of the Company pursuant to Section 230(1)(b) of the Act. The details of the benefits payable were disclosed in explanatory note 4 of the Notice of 23<sup>rd</sup> AGM.

### **AGENDA 5: ORDINARY RESOLUTION 9: RE-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 re-appoint Messrs. KPMG PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.

The Meeting was informed that Messrs. KPMG PLT had indicated their willingness to continue in office as Auditors of the Company.

### **AGENDA 6: ORDINARY RESOLUTION 10: PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF ITS ISSUED SHARE CAPITAL ("PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY")**

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

The details of the Proposal were disclosed in the Share Buy-Back Statement dated 28 April 2023, which had been despatched to all the shareholders together with the Company's Notice of AGM.

### **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.

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### **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 20 June 2023 and the Company's reply to the questions raised by MSWG as per Appendix "A" as attached.

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

1. Does Pengurusan Aset Air Berhad (PAAB) impose a net profit margin cap on PBAPP under the Tariff Setting Mechanism (TSM)?

PBAHB's response:

PAAB did not impose a profit margin cap on water operators. It is our regulator, the Water Services Commission of Malaysia (SPAN) which ensures the PBAPP's profit is not excessive.

2. How did PBAPP derive its subsidy figure of RM103.71 million (on page 16 of the Annual Report) for domestic consumers?

PBAHB's response:

The subsidy figure is derived from the difference between the cost of production and the price of water sold. The water bills for many domestic consumers are only RM5.00, for bi-monthly billing, which is far below the cost of production.

3. How much was PBAPP's energy cost in 2016 and in 2022? Why did the energy cost decline in 2021 (to RM67.1 million) despite higher production volume?

PBAHB's response:

The energy cost in 2021 was lower despite the increase in production volume due to the discounts provided by Tenaga Nasional Berhad of approximately RM13 million, because of the Covid-19 pandemic. These discounts were not available in 2016 and 2022.

4. Will 2023 be better than 2022 or be worse due to new challenges?

PBAHB's response:

2023 is expected to be a better year, with the new tariff for non-domestic consumers, which took effect from 1 January 2023.

5.
  - How much does the Company spend on this virtual AGM?
  - Would the Board kindly give Touch n Go e-wallet as a token of appreciation for taking the time and effort to attend today's RPV?
  - I would like to request a printed hard copy of the Company's Annual Report.

PBAHB's response:

- The cost of the virtual AGM is significantly lower than a physical AGM.

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- Yes, the Company would be providing e-vouchers as a token of appreciation to all shareholders who attend the PBAHB AGM virtually this year.
- The shareholders who wish to request a printed hard copy of the Company's Annual Report may fill up the requested form and submit it to the Registered Office of the Company at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia or email to [customer@pba.com.my](mailto:customer@pba.com.my).

6. I would like to request that the Board give Touch n Go e-wallet as a token of appreciation for attending this virtual meeting

#### PBAHB's response:

Yes, the Company is providing an e-voucher as a token of appreciation to all shareholders who attend the PBAHB's 23<sup>rd</sup> AGM virtually. The e-voucher will be sent electronically to the entitled shareholders within a month from the AGM date.

7. PBAHB has in the past Annual Reports indicated that having the lowest average domestic water tariffs in Malaysia is not sustainable in the long run. With the new non-domestic water tariffs approved in 2022, when will the long-awaited revised water tariff? Has PBA submitted any proposal for the revision of the domestic water tariff to SPAN? If yes, when will a decision be expected from SPAN?

#### PBAHB's response:

Yes, PBAPP has submitted its proposal for a tariff revision as per the TSM in its Operating Plan 5 (OP5) to SPAN. The Company still awaiting SPAN's approval.

8. Among the 5 key water supply engineering projects under its Water Contingency Plan 2030 for the next 5 years, the Sungai Perai Water Supply Scheme is the most expensive at a projected investment of RM500 million. Why is this project incurring such a high CAPEX compared to the other projects such as Mengkuang Dam WTP (RM120 million) and Sungai Kerian WTP (RM171 million) and only yielding a maximum of 136 MLD water supply?

#### PBAHB's response:

The high cost of the Sungai Perai project is partly attributable to the low quality water (brackish water), which requires pre-treatment as well as land acquisition costs. Although the yield is relatively low, the project is still required to fulfill the water supply needs of the residents and industries in Penang.

9. There are water losses and leakages but not been repaired due to the use of sub-standard plumbing materials. What is the plan to improve the quality of plumbing materials supplies? Do you benchmark other organizations or other countries for improvements and best practices?

#### PBAHB's response:

All materials used by PBA in its installations must be approved by the SPAN. As such, only materials that have passed stringent quality control standards can be installed in our projects and schemes.

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10. Can PBA increase the revenue through a higher rate or diversification of business?

PBAHB's response:

The Company can diversify its business to increase revenue, but our main focus is on water supply. Our subsidiary, PBA Resources Sdn. Bhd., is in the business of providing training and education for water supply courses both to water operators in Malaysia as well as overseas. The business is still being developed and we hope it will grow in future.

11. The dividend payout has been very low. Is there a plan to increase the payout ratio?

PBAHB's response:

PBAHB has been paying dividends consistently to its shareholders without fail. For FY 2023, the dividend payout will depend on the financial results of the year.

12. One of the Key Audit Matters raised in the Independent Auditors' Report highlighted about RM695 million gross amount of unutilised reinvestment allowances as at 31 December 2022. However, the Group has determined that an estimated amount of RM283 million will be utilised before its expiry (Page 230 of AR). What is the reason(s) that only RM283 million out of RM695 million can be utilised before the expiry as PBAPP consistently incurred yearly investment in its capital expenditure?

PBAHB's response:

PBAPP was unable to fully utilize the reinvestment allowance as it did not expect to generate sufficient profits within the stipulated period of 7 years in accordance with the Finance Act 2018.

13. When is the company going to reward shareholders with bonus issues?

PBAHB's response:

At this juncture, the Company does not have any plans for issuance of bonus shares.

14. A plate of nasi goreng is RM6. Charging RM10 or RM20 minimum per month is affordable to all domestic households.

PBAHB's response:

We support your statement and hope the consumers in Penang share the same sentiments. However, every tariff has to be approved along with OP5 by the SPAN.

15. Compared to other utility companies, why PBAPP does not provide credit card payment facility when making bill payments. Credit card payments via auto debit facility will enable senior citizens like myself to pay their water bills easily, without having to be physically present at the counter, post-covid. I hope you will consider seriously this safe, convenient and time saving suggestion of mine, thank you.



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PBAHB's response:

PBAPP does provide credit card payment facilities at no cost to the consumers through JomPAY, which can be made online through most banks in Malaysia without having to be physically present at the bank. Do avail yourself of this facility by using the JomPAY code (50385) at the back of the PBA bill or use the MyPBA mobile app without any transaction charges.

16. Has PBAPP considered generating electricity in a suitable area by using "water pipe generator"?

PBAHB's response:

This is an excellent suggestion, and we are already in the process of exploring turbines for electricity generation in certain water treatment plants.

### 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 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	231,957,056	99.9952	11,100	0.0048
Ordinary Resolution 2	231,851,256	99.9631	85,500	0.0369
Ordinary Resolution 3	231,886,636	99.9925	17,300	0.0075
Ordinary Resolution 4	231,901,056	99.9869	30,300	0.0131
Ordinary Resolution 5	231,917,656	99.9930	16,300	0.0070
Ordinary Resolution 6	231,886,556	99.9796	47,300	0.0204
Ordinary Resolution 7	231,886,456	99.9925	17,300	0.0075
Ordinary Resolution 8	231,833,956	99.9612	89,980	0.0388
Ordinary Resolution 9	231,914,586	99.9921	18,270	0.0079
Ordinary Resolution 10	231,938,356	99.9924	17,700	0.0076

Based on the above verified poll voting results, YAB Chairman declared that Resolutions 1 to 10 were all carried: -

It was hereby **RESOLVED**:

#### **Resolution 1**

THAT the payment of a single tier final dividend of 1.50 sen per share in respect of the financial year ended 31 December 2022 be hereby approved.

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### **Resolution 2**

THAT YB Prof. Dr. P. Ramasamy a/l Palanisamy, 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 Puan Mary Geraldine Phipps, 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 YBhg. Dato' Agatha Foo Tet Sin, 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 Encik Ha Charm Mun, 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' Mohd Sayuthi bin Bakar, 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 YB Puan Zabidah binti Safar, 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 RM550,000.00 for the period from the conclusion of this AGM until the next AGM of the Company be hereby approved.

### **Resolution 9**

THAT the re-appointment of Messrs. KPMG PLT as Auditors of the Company until the conclusion of the next AGM 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);
- 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 28 April 2023;

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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.

### **TERMINATION**

YAB Chairman thanked the shareholders and proxies for their participation and support and concluded the Meeting at 11:00 a.m.

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### **Appendix "A"**

#### **ANSWERS TO QUESTIONS POSTED BY THE MINORITY SHAREHOLDERS WATCH GROUP ("MSWG") AT THE 23<sup>rd</sup> AGM OF PBA HOLDINGS BHD.**

##### **Operational & Financial Matters**

##### **Question 1:**

The non-revenue water (NRW) or water loss percentage in Penang jumped from 17.6% in 2012 to 26.3% in 2022.

- a) What are the factors that have resulted in the significant increase in the NRW over the years?
- b) What were the challenges that prevented the Group from maintaining the NRW level 10 years ago?
- c) What measures is the Group taking to reduce NRW?
- d) What are the targeted NRW percentages set by the Board for the immediate and medium terms?

##### **PBAHB's answer:**

Kindly note that Penang's NRW percentage of 26.3% in 2022 is lower than all other NRW percentages reported by other water supply operators in Malaysia in 2020, according to the Malaysia Water Industry Guide 2022. The average NRW percentage for all the states in Malaysia was 36.3% in 2020. the Company are 10% below the national average.

The primary causes of NRW in Penang are pipe leakages, burst pipes, as well as pipe repairs, connection and reconnection works. As such, the 5 key factors that have affected Penang's NRW percentage are:

1. Length of water pipelines: The total length of water pipelines in Penang has increased by 613km, from 4,118km in 2012 to 4,731km in 2022. 613km is just 54km short of the distance from Penang to Johor Baru by road, which is about 667km according to Google.
2. Age of water pipelines: "Old" or "outdated" pipelines are prone to leakages and bursting, causing NRW losses. About 1,175 km of the water pipelines in Penang are between 50 and 100 years old, and due for replacement. Some of these pipelines are located beneath the heritage city of George Town.
3. Increased water consumption: The number of registered water consumers in Penang increased by 142,941 consumers, from 533,916 consumers in 2012 to 676,857 in 2022. Water consumption increased by 74 MLD, from 794 MLD in 2012 to 868 MLD in 2022. PBAPP is pumping significantly more water to more consumers at high pressures. Inevitably, some outdated pipes leak or burst, leading to higher NRW.
4. A 2-year backlog in PBAPP's pipe replacement programmes, due to the Covid-19 Movement Control Orders, or MCOs, implemented from March 2020 to March 2022.

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5. 2 major cases of water supply interruptions in 2022: The first incident was caused by flash floods in Kedah in July. The second incident is related to major and urgent works at the Sungai Dua Water Treatment Plant, or WTP. Both these incidents involved shutdowns of the Sungai Dua WTP, Penang largest WTP. Penang incurred higher NRW losses due to water supply recovery works related to these incidents.

In Penang, the main challenge in NRW management is the cost-to-benefit factor. The PBAHB Board has recently approved a RM151.55 million budget for replace 138.18km of pipelines over a 2-year period. So, the average cost to replace 1km of pipeline is about RM1.1 million.

Accordingly, the projected overall cost to replace 1,175 km of outdated pipelines would be between RM1 billion and RM 2 billion. It would also be irrational to try to replace 1,175 km of outdated pipelines at one go. To do so, the Management may have to shut down George Town, and some suburbs, for a few years, all for the sake of reducing NRW percentage to 20% or less.

Instead, PBAPP is planning to reduce Penang's NRW to sub-25% levels within the next 3 years by replacing as many outdated pipelines as possible, based on cost considerations. the Board will strive to reduce Penang's NRW percentage gradually.

More importantly, PBAPP is gearing up towards supplying more water in Penang than ever before in the history of Penang. This is in response to a surge in water demand as related to socioeconomic recovery following 2 years of movement control orders, or MCOs, as related to the Covid-19 pandemic.

So, PBAPP's main priority now is the implementation of 8 new water supply infrastructure projects under its Water Contingency Plan 2030 or WCP 2030. The total projected investment for the WCP 2030 projects is RM1.184 billion; and these projects have been scheduled for completion in the timeframe from 2023 to 2028.

The objective is to ensure that Penang has enough water supply to achieve the objectives of the State Government's "Penang2030" vision.

### **Question 2:**

Penang is one of the states with the highest per capita domestic water consumption, if not the highest. Pages 31 and 32 of the Annual Report 2022 illustrate the inverse correlation between domestic tariffs and per capita domestic consumption. As it stands in March 2023, there are intermittent incidents of "no water supply" and "low water pressure" in the higher ground and end-of-line areas in Seberang Perai Selatan on the mainland due to high water demand during peak hours. Furthermore, as highlighted by the Group's Chief Executive Officer, the domestic water subsidy which amounted to RM103.7m for domestic users in 2022 is people-friendly but not sustainable or rational in Penang. Moreover, the subsidy could be better utilised to improve the water supply infrastructure in Penang to mitigate the potential water crisis.

- a) While it is the jurisdiction of the Federal Government to review and revise the water tariff, has the Group taken any initiatives to urge the Federal Government to rationalise the domestic water tariff?
- b) What were some of the key initiatives and awareness campaigns undertaken by the Group to promote water savings and educate the domestic users about the importance of water conservation?

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### **PBAHB's answer:**

In July 2022, the previous Federal Government set a precedent when it gazetted Federal regulations to increase "non-domestic consumption" tariffs for 11 states and 3 FTs concurrently.

It is likely that any future water tariff review in Malaysia will be conducted by the Federal Government in this manner.

As required by the National Water Services Commission, or SPAN, PBAPP has submitted its Business Plan for the period from 1.1.2023 to 31.12.2025 under SPAN's Operating Plan 5, or OP5, timeframe.

This business plan will include details of PBAPP's projected OPEX, CAPEX, environmental costs and other operational considerations. All these factors are taken into account by SPAN when recommending any future tariff reviews based on the national Tariff Setting Mechanism (TSM) formula.

The Federal Government is responsible for water tariff reviews to ensure good water supply services, not only in Penang but throughout Malaysia. The Board will provide the Federal Government with the relevant information and data to make informed decisions.

Meanwhile, PBAPP's "water saving initiatives" in Penang include:

1. Appealing to water consumers, especially domestic consumers, to save water through the mass media. In first 6 months of 2023, the Management had issued 7 media releases which contain the phrases "save water" and "water saving tips".
2. Sponsoring annual commemorations of "World Water Day" in Penang. The most recent commemoration was held at the Air Itam Dam on 21.5.2023.
3. Sponsoring annual water awareness and education projects for school children in Penang which are managed by Water Watch Penang.
4. Distribution of more than 133,000 free water saving kits to the public containing water thimbles that may be installed on household tap points to "automatically save water".
5. Installing water saving devices in 119 mosques in Penang.
6. Constantly publishing water saving tips in videos and brochures, as well as on social media, to encourage more people to get involved in water saving in Penang.
7. Helping the State Government to draft building by-laws that compel all developers to install water saving devices in all new buildings in Penang since 2018.
8. Implementation of a Water Conservation Surcharge, or WCS, for domestic consumption above 35,000 litres per month.

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### Corporate Governance Matters

#### **Question 3:**

The table below depicts the revenue, core businesses, geographical presence and board composition of some listed utilities companies.

Company	Revenue (2022) (RM' million)	Core Businesses	Geographical presence	Number of directors			
				ED	NINED	INED	TOTAL
PBA	348	Water operator	Penang	0	8	4	12
RANHILL	1,726	Environment, energy, engineering services	Malaysia, Thailand, Brazil and others	5	1	5	11
MALAKOF	10,355	Power generation, waste management and environmental services	Malaysia, Indonesia and Middle East	1	3	5	9
TENAGA	50,868	Generation, transmission, distribution and sales of electricity	United Kingdom, Turkiye, Kuwait, Saudi Arabia, Pakistan, India and Cambodia	1	4	6	11

- a) Practice 5.2 of the Malaysian Code of Corporate Governance 2021 encourages companies to have at least half of the board consist of independent directors. PBA currently has eight non-independent non-executive directors ("NINED") on its board. In fact, the number of NINED on PBA's board is one of the highest among companies listed on Kuala Lumpur Stock Exchange. Are there any justifications for having such large number of NINED?

#### **PBAHB's answer:**

The Board feels that it is improper for PBAHB to comment on the Boards of Directors or corporate policies of other companies.

However, MSWG should take note of the following key facts regarding the Board of Directors of PBAHB:

1. According to the Company's Constitution, the number of Directors shall not be less than 2 nor more than 17, unless otherwise determined by the Company at the General Meeting. There are 12 PBAHB Directors today.
2. If you refer to page 234 of our 2022 Annual Report, you will see that none of PBAHB's Directors hold PBAHB shares.
3. If you refer to page 245 of our 2022 Annual Report, you will see the cash value of the benefits for which the Board is seeking approval for 1 year. It is "up to an amount of RM550,000" in total for 1 year, for the 12 PBAHB Directors.

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4. The Company has paid out dividends to all shareholders for 22 consecutive years. If you refer to page 209 of our 2022 Annual Report, you will see that the payouts in 2022 amounted to RM8.275 million.
5. Penang State Secretary is the major shareholder of PBAHB if you refer to page 235 of our 2022 Annual Report.

As such, the appointment of the Chairman and Directors of PBAHB are Penang State Government appointments.

Since 2002, the Chief Ministers of Penang have served as Chairmen of PBAHB. Similarly, senior state officials are appointed as Directors. All appointments are made not on the basis of political affiliation, but by virtue of state government positions.

This state government linkage is part of PBAHB's corporate DNA because our 100% owned subsidiary, PBAPP is the licensed water operator that serves the State of Penang. PBAPP is responsible for water supply to 1.74 million people and thousands of businesses in Penang that contributed RM99 billion to the national GDP in 2021.

Since water supply is an essential public service, PBAHB and PBAPP should never be purely profit-driven. The Board has to walk the thin line between the "availability of water" and the "affordability of water" for the benefit of Penang and all stakeholders.

To sum it all up, the composition of the PBAHB Board provides the necessary checks and balances.

The Penang State Government officials are appointed to the Board to take on the responsibilities of representing, safeguarding and protecting the interests of the state and people of Penang.

Meanwhile, the Independent Directors, with wide boardroom experience and expertise, act as caretakers of the interests of minority shareholders and their views carry significant weight in the Board's decision-making processes.

In the Board's opinion, the "personality", structure and composition of our Board works for PBAHB, PBAPP, the State of Penang and all our stakeholders; and it has worked well for more than 20 years.

### **Question 4:**

The Malaysian Code on Corporate Governance discourages listed companies from appointing an active politician as a director on their board. There are five active politicians sitting on the board of PBA. What are the reasons behind the high percentage of active politicians on the board of PBA? And how does this benefit the Group and its shareholders?



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**PBAHB's answer:**

The answers that provided for Question 3 also address Question 4.

Nevertheless, please allow the Board to reiterate 3 simple points:

1. Penang State Secretary is the major shareholder of PBAHB.
2. Water is essential element that supports the daily lives 1.74 million people in Penang and the livelihoods of hundreds of thousands of Penangites. Hence, water supply is an essential public service.
3. As such, the Penang Chief Minister, Deputy Chief Ministers I and II and senior Penang State Government officials serve on the Board to represent, safeguard and protect the interests of the State and people of Penang.