

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



PBA HOLDINGS BHD

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

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

**PROPOSED PURCHASE OF TREATED WATER BY PERBADANAN BEKALAN
AIR PULAU PINANG SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF PBA
HOLDINGS BHD, UNDER THE NORTHERN PERAK WATER SUPPLY SCHEME,
FOR ONWARD SUPPLY TO THE STATE OF PENANG**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



RHB INVESTMENT BANK BERHAD

(Registration No. 197401002639 (19663-P))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting (“EGM”) and the Form of Proxy are enclosed in this Circular. As a shareholder, you are entitled to appoint a proxy or proxies to attend, speak and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy in accordance with the instructions contained therein at the Registered Office of PBA Holdings Bhd at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia or alternatively by electronic means via email at infopbahb@pba.com.my not less than 48 hours before the time set for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for : Tuesday, 10 November 2026 at 2:30 p.m.
lodging the Form of Proxy

Date and time of the EGM : Thursday, 12 November 2026 at 2:30 p.m. or at any adjournment of the EGM

Venue of the EGM : St. Giles Wembley Penang Hotel, 183, Magazine Road, 10300 George Town, Pulau Pinang, Malaysia

This Circular is dated 27 October 2026

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	: Companies Act 2016
Board	: Board of Directors of our Company
BOT Agreement	: Conditional build-operate-transfer agreement dated 27 August 2026 entered into between PBAPP and INYA for the INYA Project
Bursa Securities	: Bursa Malaysia Securities Berhad
BWS Agreement	: Bulk water supply agreement to be entered into between PBAPP and a special purpose vehicle to be incorporated by INYA for the supply of treated water produced by the water treatment plant under the INYA Project for a 30-year period at an estimated total consideration of RM1.1 billion
Circular	: This circular dated 27 October 2026 in relation to the Proposed Bulk Water Purchase
Commercial Operation Date	: The date on which all conditions for the commencement of the supply of treated water to PBAPP have been fulfilled, including the completion and certification of the water treatment plant and the issuance of the certificate of compliance for the INYA Project
Confirmed Quantity	: Supply quantity of treated water confirmed by the Supplier within 60 days of receipt of the Surplus Request
Consortium	: A consortium comprising PKNPk and Gamuda in relation to the Proposed Bulk Water Purchase
Dissenting Directors	: Collectively, YBhg. Dato' Brian Tan Guan Hooi, Lim Eng Huat, Nor Hatina Binti Md Salleh, Lim Seang Lee and YM Raja Azmi Bin Raja Nazuddin
EGM	: Extraordinary General Meeting
EPS	: Earnings per Share
FYE	: Financial year ended 31 December
Gamuda	: Gamuda Berhad
Group	: Collectively, PBAHB and our subsidiaries
INYA	: INYA Water Engineering (M) Sdn Bhd

DEFINITIONS (CONT'D)

INYA Project	: A build-operate-transfer project pursuant to the Proposed INYA Transaction (which will be tabled to our shareholders for approval at an EGM to be convened) involving the design, financing, construction, commissioning, managing, operating and maintaining by INYA of the project assets comprising, among others: (i) a new water treatment plant with a minimum capacity of 80 MLD to be constructed on a piece of freehold land owned by INYA, measuring approximately 19,020 square metres, held under HSD 47586, Lot 20580, Mukim 09, Daerah Seberang Perai Selatan, Negeri Pulau Pinang; (ii) associated raw water intake facility to be constructed along Sungai Kerian within the State of Penang boundary; (iii) sludge treatment facilities to be constructed for receiving, processing, treating and disposing of sludge generated by the water treatment plant; and (iv) subsequent sale and supply of treated water to PBAPP's distribution pipe at the delivery point
KAP	: Khazanah Air Perak Sdn Bhd, a private limited company incorporated by the Consortium
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
Long Stop Date	: 1 January 2035, being the last day for the satisfaction of the conditions to the Start Date under the Supply Agreement
LPD	: 30 September 2026, being the latest practicable date prior to the printing of this Circular
Minimum Quantity Commitment	: A minimum quantity of 300 MLD of treated water to be supplied by the Supplier to PBAPP under the Supply Agreement during the Supply Period
MLD	: Million litres per day
MOU	: Non-binding memorandum of understanding dated 6 November 2025 entered into between PBAPP and the Consortium in relation to the Proposed Bulk Water Purchase
NA	: Net assets
NPWSS	: Northern Perak Water Supply Scheme
PBAHB or Company	: PBA Holdings Bhd
PBAPP	: Perbadanan Bekalan Air Pulau Pinang Sdn Bhd, our wholly-owned subsidiary

DEFINITIONS (CONT'D)

PKNPk	: Perbadanan Kemajuan Negeri Perak
Proposed Bulk Water Purchase	: Proposed purchase of treated water by PBAPP under the NPWSS for onward supply to the State of Penang
Proposed INYA Transaction	: The proposed implementation of the INYA Project by INYA under a build-operate-transfer model, including: (i) the design, construction, commissioning, operation and maintenance of the water treatment plant; and (ii) the incorporation of a special purpose vehicle by INYA to undertake the supply of treated water from the water treatment plant to PBAPP pursuant to the BWS Agreement for a period of 30 years from the Commercial Operation Date, which was announced by our Company on 27 August 2026 and is subject to the approval of our shareholders at an EGM to be convened
RHB Investment Bank	: RHB Investment Bank Berhad
RM	: Ringgit Malaysia
Shares	: Ordinary shares in PBAHB
SPAN	: National Water Services Commission (Suruhanjaya Perkhidmatan Air Negara)
SPRWTS	: Sungai Perak Raw Water Transfer Scheme
Start Date	: 31 March 2032 (unless otherwise agreed by the Supplier and PBAPP), being the date of commencement of the supply and delivery of treated water to PBAPP for the Supply Period, subject to: (i) the satisfaction (or to the extent permitted by law, waiver) of the conditions precedent to the Supply Agreement, including the registration of the Supply Agreement with SPAN before the Start Date, and the fulfilment of other conditions precedent as set out in Sections 5(ii) and 5(iii), Appendix I of this Circular on or before 30 November 2026 (being the last day for the satisfaction of such conditions precedent under the Supply Agreement); and (ii) the fulfilment of the conditions to the Start Date as set out in Section 2, Appendix I of this Circular
Supplier	: Prasarana Air dan Irigasi Perak Sdn Bhd, a wholly-owned subsidiary of KAP
Supply Agreement	: Conditional bulk water supply agreement dated 15 July 2026 entered into between PBAPP and the Supplier in relation to the Proposed Bulk Water Purchase

DEFINITIONS (CONT'D)

Supply Period	: A period of 40 years commencing from the Start Date for the supply of treated water pursuant to the Proposed Bulk Water Purchase
Surplus Request	: Surplus request not exceeding 5% of the Minimum Quantity Commitment, provided that the aggregate of the Minimum Quantity Commitment and the Surplus Request shall not exceed 105% of the Minimum Quantity Commitment
WCP 2030	: Water Contingency Plan 2030
WST 2040	: Water Sector Transformation 2040

All references to “**our Company**” in this Circular are to PBAHB, references to “**our Group**” are to our Company and our subsidiaries, collectively, and references to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company, and where the context requires, shall include our subsidiaries. All references to “**you**” in this Circular are to our shareholders.

Unless specifically referred to, words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall include the feminine and/or neuter genders and vice versa. References to persons shall include corporations. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated. Any reference in this Circular to any enactment or guidelines is a reference to that enactment or guidelines as for the time being amended or re-enacted.

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	vi
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED BULK WATER PURCHASE	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED BULK WATER PURCHASE	2
3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION OF THE PROPOSED BULK WATER PURCHASE	7
4. RATIONALE AND BENEFITS OF THE PROPOSED BULK WATER PURCHASE	12
5. INDUSTRY OUTLOOK AND PROSPECTS	18
6. RISKS OF THE PROPOSED BULK WATER PURCHASE	21
7. EFFECTS OF THE PROPOSED BULK WATER PURCHASE	25
8. APPROVAL/CONSENT REQUIRED	27
9. CONDITIONALITY OF THE PROPOSED BULK WATER PURCHASE	28
10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED	28
11. DIRECTORS' STATEMENT AND RECOMMENDATION	28
12. TENTATIVE TIMETABLE FOR IMPLEMENTATION	29
13. EGM	30
14. FURTHER INFORMATION	30
 <u>APPENDICES</u>	
APPENDIX I SALIENT TERMS OF THE SUPPLY AGREEMENT	31
APPENDIX II PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON	38
APPENDIX III FURTHER INFORMATION	48
 NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE SALIENT INFORMATION ON THE PROPOSED BULK WATER PURCHASE. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES, BEFORE VOTING ON THE ORDINARY RESOLUTION IN RELATION TO THE PROPOSED BULK WATER PURCHASE TO BE TABLED AT OUR FORTHCOMING EGM.

Key information	Description	Reference
Summary of the Proposed Bulk Water Purchase	The Proposed Bulk Water Purchase entails the purchase by PBAPP of a minimum quantity of 300 MLD of treated water from the Supplier under the NPWSS for onward supply to the State of Penang. Subject to the terms to be mutually determined by the parties and the prior written approval of the State Government of Perak, PBAPP shall have a right of first refusal to extend the Supply Period and an option to request for an increase in the supply quantity to up to 500 MLD of treated water after taking into consideration Penang's additional water supply requirements as demand grows. The supply of treated water is targeted to commence on 31 March 2032 (being the Start Date, unless otherwise agreed by the Supplier and PBAPP) and will continue for the Supply Period until 2072, subject to: (i) the satisfaction (or to the extent permitted by law, waiver) of the conditions precedent to the Supply Agreement, including the registration of the Supply Agreement with SPAN before the Start Date, and the fulfilment of other conditions precedent as set out in Sections 5(ii) and 5(iii), Appendix I of this Circular on or before 30 November 2026 (being the last day for the satisfaction of such conditions precedent under the Supply Agreement); and (ii) the fulfilment of the conditions to the Start Date as set out in Section 2, Appendix I of this Circular. If any of these conditions are not satisfied on or before the Long Stop Date, PBAPP may elect to either (a) agree with the Supplier to extend the Start Date, or (b) permit the Supply Agreement to lapse, and neither party shall have any claim against the other, save for any antecedent breach.	Section 2 of the Circular

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference
Basis of and justification for the purchase consideration of the Proposed Bulk Water Purchase	The purchase consideration of the Proposed Bulk Water Purchase was negotiated on a ‘willing-buyer willing-seller’ basis, after taking into consideration the estimated bulk water supply charges set out below:	Section 3 of the Circular

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference
Risks of the Proposed Bulk Water Purchase	The risks of the Proposed Bulk Water Purchase are as follows: (i) risk of interruption, suspension or termination of treated water supply; (ii) delay in commencement of water supply; (iii) conditional supply of additional treated water; (iv) SPAN's discretion in approving the tariff-setting mechanism; (v) risk relating to increases in bulk water supply charges; and (vi) political and regulatory risk.	Section 6 of the Circular
Approval/ Consent required	The Proposed Bulk Water Purchase is subject to: (i) the approval of our shareholders for the Proposed Bulk Water Purchase at our forthcoming EGM, to be obtained no later than 30 November 2026; (ii) the registration of the Supply Agreement with SPAN in accordance with the Water Services Industry (Bulk Water Supply Agreement) Rules 2015, to be procured any time before the Start Date; (iii) the execution of an agreement between the State Government of Perak and KAP by 30 November 2026, granting KAP and its group of companies the mandate or authorisation to implement the NPWSS, including the Proposed Bulk Water Purchase (which was satisfied on 20 October 2026); and (iv) the consent of any other relevant authorities and/or parties, if required.	Section 8 of the Circular
Conditionality of the Proposed Bulk Water Purchase	The Proposed Bulk Water Purchase is not conditional upon the Proposed INYA Transaction or any other proposal undertaken or to be undertaken by our Company.	Section 9 of the Circular
Interests of directors, major shareholders and persons connected	None of our Directors, major shareholders and persons connected with them has any interest, direct or indirect, in the Proposed Bulk Water Purchase.	Section 10 of the Circular

EXECUTIVE SUMMARY (CONT'D)

Key information	Description	Reference
Directors' statement and recommendation	Our Board (save for the Dissenting Directors) is of the opinion that the Proposed Bulk Water Purchase is in the best interests of our Company and our shareholders. The Dissenting Directors did not vote in favour of the Proposed Bulk Water Purchase due to the concern set out below. Under the Supply Agreement, the Supplier retains an overriding obligation to prioritise and meet the water demand requirements of the State of Perak. If the Supplier is unable to supply, or only partially supplies, treated water to PBAPP for more than 3 consecutive months during the Supply Period, either party may request for a renegotiation of the terms of the Supply Agreement. If the parties fail to reach an agreement following such renegotiation, the Supply Agreement may be terminated. PBAPP will nevertheless remain liable to pay the net present value (calculated using a 4% discount rate) of the capacity charges for the remainder of the original Supply Period, as such capacity charges are fixed and intended to enable the Supplier to recover the costs associated with the development and continuous operation of the dedicated water treatment plant capacity and related infrastructure, amounting to approximately RM210.0 million per contract year. Under such circumstances, the Supplier would not be required to compensate PBAPP by way of liquidated damages.	Section 11 of the Circular



Memenuhi segala keperluan bekalan air anda
Meeting all your water supply needs

PBA HOLDINGS BHD

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

Registered Office:

Level 32, KOMTAR
Penang Road
10000 George Town
Pulau Pinang
Malaysia

27 October 2026

Board of Directors:

YAB Tuan Chow Kon Yeow	<i>(Non-Independent Non-Executive Chairman)</i>
YB Dato' Dr. Mohamad Bin Abdul Hamid	<i>(Non-Independent Non-Executive Deputy Chairman)</i>
YB Dato' Dr. Jafri Bin Abdul Jalil	<i>(Non-Independent Non-Executive Director)</i>
YB Dato' Haji Zairi Bin Haji Mat Ali	<i>(Non-Independent Non-Executive Director)</i>
YB Tuan Zairil Khir Johari	<i>(Non-Independent Non-Executive Director)</i>
Tuan Haji Fadzil Bin Hj. Abdullah	<i>(Non-Independent Non-Executive Director)</i>
YBhg. Dato' Brian Tan Guan Hooi	<i>(Senior Independent Non-Executive Director)</i>
Lim Eng Huat	<i>(Independent Non-Executive Director)</i>
Nor Hatina Binti Md Salleh	<i>(Independent Non-Executive Director)</i>
Lim Seang Lee	<i>(Independent Non-Executive Director)</i>
YM Raja Azmi Bin Raja Nazuddin	<i>(Independent Non-Executive Director)</i>
YBhg. Dato' Ir. Sabri Bin Abdul Mulok	<i>(Independent Non-Executive Director)</i>

To: Our shareholders

Dear Sir/Madam,

PROPOSED BULK WATER PURCHASE

1. INTRODUCTION

On 6 November 2025, our Board announced that PBAPP had entered into the MOU with the Consortium in relation to the Proposed Bulk Water Purchase.

Subsequently on 15 May 2026, 3 July 2026 and 13 July 2026, our Board announced that PBAPP and the Consortium had mutually agreed to extend the signing of the definitive agreement in relation to the Proposed Bulk Water Purchase to provide the parties with additional time to negotiate and finalise the terms of the said agreement.

On 15 July 2026, RHB Investment Bank announced, on behalf of our Board, that PBAPP had on the same day entered into the Supply Agreement with the Supplier in relation to the Proposed Bulk Water Purchase.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED BULK WATER PURCHASE AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BULK WATER PURCHASE TO BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES, BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED BULK WATER PURCHASE TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED BULK WATER PURCHASE

2.1 Background information

The Proposed Bulk Water Purchase entails the purchase by PBAPP of a minimum quantity of 300 MLD of treated water from the Supplier under the NPWSS for onward supply to the State of Penang. Subject to the terms to be mutually determined by the parties and the prior written approval of the State Government of Perak, PBAPP shall have a right of first refusal to extend the Supply Period and an option to request for an increase in the supply quantity to up to 500 MLD of treated water after taking into consideration Penang's additional water supply requirements as demand grows.

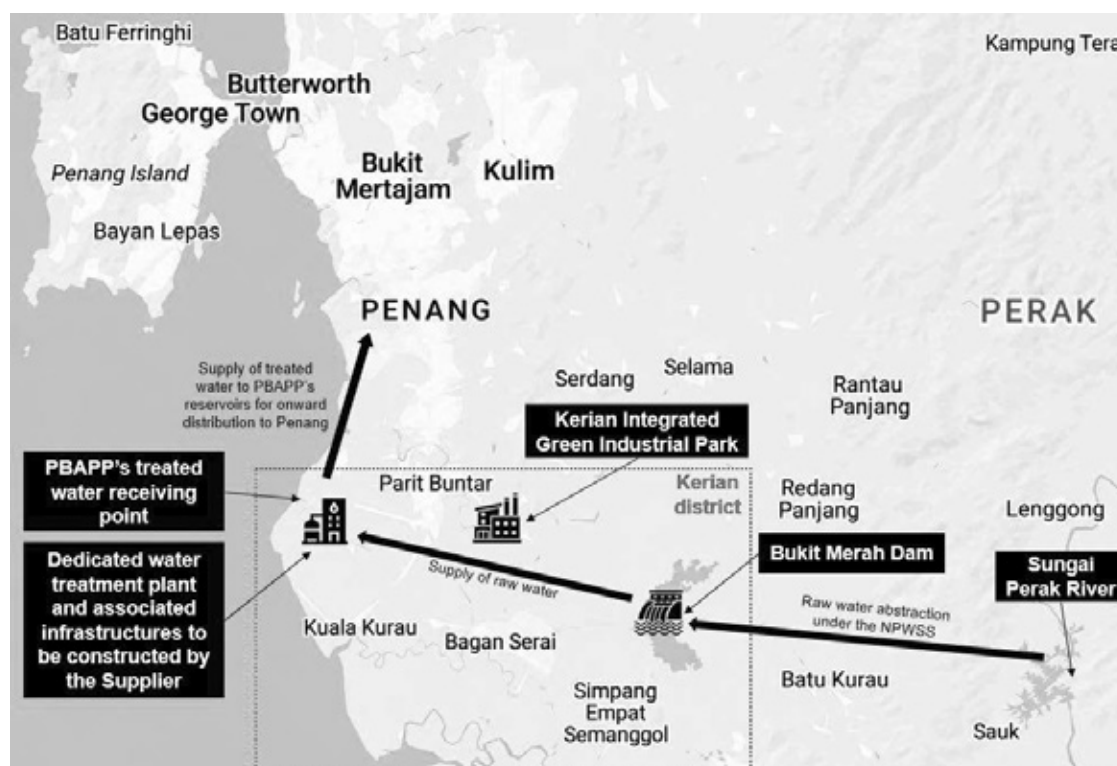
The supply of treated water is targeted to commence on 31 March 2032 (being the Start Date) and will continue for the Supply Period until 2072, subject to:

- (i) the satisfaction (or to the extent permitted by law, waiver) of the conditions precedent to the Supply Agreement, including the registration of the Supply Agreement with SPAN before the Start Date, and the fulfilment of other conditions precedent as set out in Sections 5(ii) and 5(iii), Appendix I of this Circular on or before 30 November 2026 (being the last day for the satisfaction of such conditions precedent under the Supply Agreement); and
- (ii) the fulfilment of the conditions to the Start Date as set out in Section 2, Appendix I of this Circular. If any of these conditions are not satisfied on or before the Long Stop Date, PBAPP may elect to either (a) agree with the Supplier to extend the Start Date, or (b) permit the Supply Agreement to lapse, and neither party shall have any claim against the other, save for any antecedent breach.

The salient terms of the Supply Agreement are set out in **Appendix I** of this Circular.

[The rest of this page is intentionally left blank]

The raw water abstraction point and the treated water receiving point for PBAPP under the Proposed Bulk Water Purchase are located as follows:



2.2 Information on the NPWSS

The Consortium had on 16 July 2025 accepted a letter of appointment from the State Government of Perak for the development and operation of water treatment and distribution infrastructure in Kerian, Northern Perak. The water treatment and distribution infrastructure forms part of the broader NPWSS and is a strategic initiative by the State Government of Perak and the Federal Government to address long-term water supply requirements for irrigation, domestic and industrial use in the region.

Pursuant to the said letter of appointment, the joint venture between PKNPk and Gamuda is expected to undertake the following on a privatisation basis with a minimum concession period of 40 years:

- (i) the development, operation and maintenance of water treatment and distribution infrastructure in the Kerian district of Northern Perak; and
- (ii) the supply of treated water to the Kerian Integrated Green Industrial Park and the sale of excess treated water to the State of Penang.

The NPWSS is designed to transfer approximately 1,500 MLD of raw water from the Sungai Perak River to the Bukit Merah Dam, of which approximately 500 MLD of raw water will be allocated to meet the irrigation requirements of Northern Perak, while the remaining volume will be treated to meet the domestic and industrial demands of the State of Perak, with the available surplus used for the sale of treated water to PBAPP under the Proposed Bulk Water Purchase.

(Source: Press release dated 16 July 2025 issued by Gamuda)

2.3 Information on the Supplier

The Supplier was incorporated in Malaysia on 29 January 2026 as a private limited company under the Act. It is principally engaged in the purification and distribution of water for water supply purposes as well as construction of utility projects. As at the LPD, the issued share capital of the Supplier is RM1,000 comprising 1,000 ordinary shares. The directors of the Supplier as at the LPD are Faris Bin Mohd Yusof, Justin Chin Jing Ho, Nur Ismail Bin Mohammed and Norazha Bin Ismail.

The shareholders of the Supplier, and their respective shareholdings in the Supplier as at the LPD, are as follows:

Shareholders	Direct		Indirect	
	No. of shares	%	No. of shares	%
KAP	1,000	100.0	-	-
Northern Water Alliance Sdn Bhd	-	-	⁽¹⁾ 1,000	100.0
Gamuda	-	-	⁽¹⁾ 1,000	100.0
Argentum Sdn Bhd	-	-	⁽²⁾ 1,000	100.0
PKNPk	-	-	⁽³⁾ 1,000	100.0

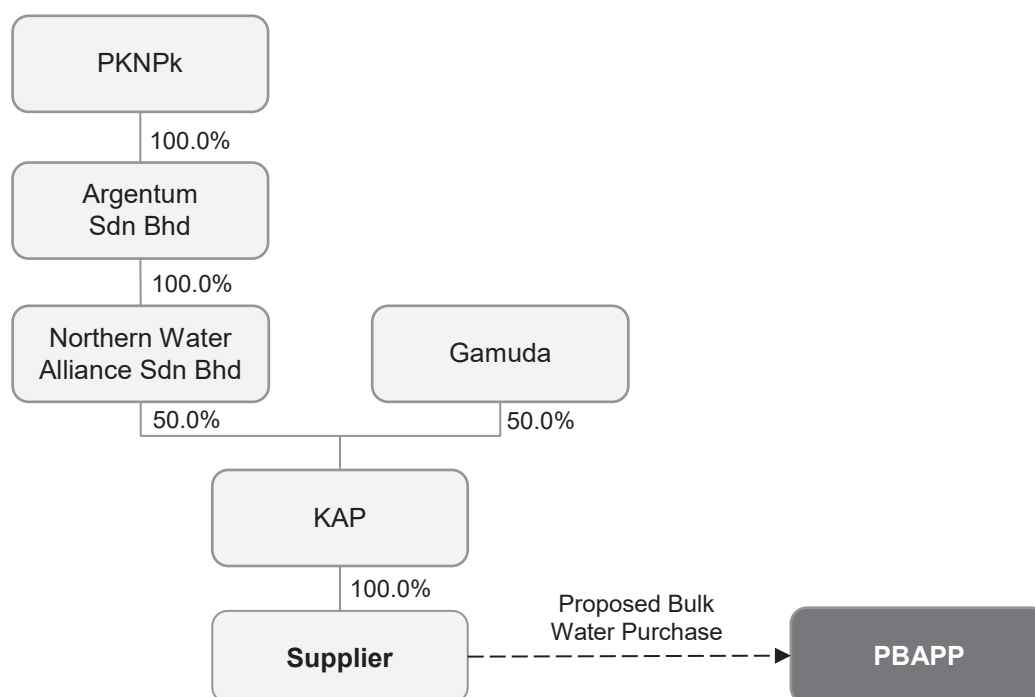
Notes:

- (1) Deemed interest through its shareholding in KAP pursuant to Section 8(4) of the Act by virtue of its interest in the voting shares of KAP of not less than 20.0%. KAP is equally owned by Northern Water Alliance Sdn Bhd and Gamuda.
- (2) Deemed interest through its shareholding in Northern Water Alliance Sdn Bhd pursuant to Section 8(4) of the Act by virtue of Northern Water Alliance Sdn Bhd being a wholly-owned subsidiary of Argentum Sdn Bhd.
- (3) Deemed interest through its shareholding in Argentum Sdn Bhd pursuant to Section 8(4) of the Act by virtue of Argentum Sdn Bhd being a wholly-owned subsidiary of PKNPk.

(Source: Companies Commission of Malaysia)

[The rest of this page is intentionally left blank]

The corporate structure of the Supplier as at the LPD and the transaction structure of the Proposed Bulk Water Purchase are as follows:



2.4 Information on PKNPk

PKNPk is a statutory body established in 1967 pursuant to the Perak State Development Corporation Enactment No. 3 of 1967 (Revised 2019). As a State development agency and key driver of economic growth, PKNPk is mandated to spearhead and facilitate industrial and economic development in the State of Perak through strategic investments, development initiatives and other activities aimed at promoting sustainable socio-economic growth, in line with its vision to be a dynamic, viable and globally-oriented development agency, and a major contributor to the State's socio-economic advancement. The Board of Directors of PKNPk as at the LPD are as follows:

- (i) YAB Dato' Seri Haji Saarani Bin Mohamad;
- (ii) YB Dato' Ahmad Suaidi Bin Abdul Rahim;
- (iii) YB Dato' Azmir Shah Bin Zainal Abidin;
- (iv) YB Dato' Mohd Zaki Bin Mahyudin;
- (v) YB Tuan Loh Sze Yee;
- (vi) YB Tuan Mohd Azlan Helmi Bin Helmi;
- (vii) YBhg. Dato' Haji Mohamad Fariz Bin Mohamad Hanip;
- (viii) YBrs. Tuan Jaya Singam A/L A. Rajoo;
- (ix) YBrs. Puan Hidah Binti Misran;
- (x) YBrs. Dr. Nirwan Bin Noh;
- (xi) YBhg. Dato' Mohd Azmi Bin Haji Othman; and
- (xii) YB Dr. Mohamad Yusri Bin Bakir.

(Source: PKNPk's website)

2.5 Information on Gamuda

Gamuda was incorporated in Malaysia under the Companies Act 1965 on 6 October 1976 as a private limited company under the name of Gamuda Sdn Bhd and is deemed registered under the Act. It was subsequently converted into a public limited company on 19 December 1991 and was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 10 August 1992.

Gamuda is a regional engineering, infrastructure and property group. Gamuda and its group of companies are principally involved in the engineering and construction of highways, bridges, airfield facilities, railways, tunnels, water treatment plants and dams, as well as the provision of construction-related trading and services, water supply management, property development and club operations.

As at the LPD, the issued share capital of Gamuda is approximately RM5.7 billion comprising 6,049,812,961 ordinary shares. The substantial shareholder and directors of Gamuda, and their respective shareholdings in Gamuda as at the LPD, are as follows:

	Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%
<u>Substantial shareholder</u>				
Employees Provident Fund Board	1,355,221	22.4	-	-
<u>Directors</u>				
YBhg. Tan Sri Dato' Setia Haji Ambrin Bin Buang	-	-	-	-
YBhg. Dato' Lin Yun Ling	163,230	2.7	-	-
YBhg. Dato' Ir. Ha Tiing Tai	73,924	1.2	⁽¹⁾ 192	<0.1
Chan Wai Yen	-	-	-	-
Chia Aun Ling	-	-	-	-
Lila Azmin Binti Abdullah	-	-	-	-
Justin Chin Jing Ho	31	<0.1	-	-

Note:

- (1) Deemed interest by virtue of his son's shareholding pursuant to Section 59(11)(c) of the Act.

(Source: Gamuda's Annual Report 2025 and announcements on Bursa Securities)

2.6 Source of funding

The purchase consideration of the Proposed Bulk Water Purchase will be funded via a combination of internally generated funds and/or proceeds from the RM5.0 billion perpetual Islamic Medium Term Notes Programme established by PBAPP in 2025. As at the LPD, PBAPP has raised RM300.0 million through the issuance of Sukuk based on the Shariah principle of Wakalah Bi Al-Istithmar under the said programme.

The allocation and proportion of funding from each source will be determined at a later stage based on our prevailing cash flow position and overall capital management strategy, with the objective of optimising the cost of funding and maintaining financial stability.

2.7 Liabilities to be assumed

Save for the bulk water supply charges payable over the Supply Period in accordance with the terms of the Supply Agreement, there are no liabilities, including contingent liabilities and guarantees to be assumed by us arising from the Proposed Bulk Water Purchase.

3. BASIS OF AND JUSTIFICATION FOR THE PURCHASE CONSIDERATION OF THE PROPOSED BULK WATER PURCHASE

The purchase consideration of the Proposed Bulk Water Purchase was negotiated on a 'willing-buyer willing-seller' basis, after taking into consideration the estimated bulk water supply charges set out below:

Bulk water supply charges	Terms	⁽¹⁾Estimated consideration (RM billion)
Capacity charges	Payable by reference to the applicable quantity commitment for the construction, availability and operation by the Supplier of the dedicated water treatment plant for PBAPP with a maximum design capacity of 500 MLD, together with pipelines, reservoirs and related supporting infrastructure. The total capacity charges payable in each contract year for the Supply Period shall be fixed at RM210.0 million, subject to rounding arising from day-count variation across billing periods. For the purpose of unitisation, the annual capacity charge is expressed as a capacity rate of RM1.9178 per cubic metre of treated water for the 1 st contract year, calculated by dividing the fixed annual capacity charge by the annual volume of treated water based on the Minimum Quantity Commitment of 300 MLD. Following any upward revision of the Minimum Quantity Commitment, the capacity rate will decrease accordingly and will reach RM1.1507 per cubic metre should the Minimum Quantity Commitment be increased to 500 MLD. The total capacity charges were arrived at based on the estimated costs to be incurred by the Supplier in ensuring the operational readiness of the water treatment plant including, among others, construction works, commissioning and performance testing of the plant and its associated infrastructure. For the avoidance of doubt, the capacity charges are fixed and remain payable by PBAPP regardless of the actual amount of treated water supplied.	⁽²⁾ 8.4

Bulk water supply charges	Terms	⁽¹⁾Estimated consideration (RM billion)
Supply charges	Payable based on the treated water supplied or deemed supplied^(a), using the applicable supply rate which shall start at the base tariff of RM1.70 per cubic metre of treated water for the 1st contract year, benchmarked against Perak's prevailing non-domestic water rate. The base tariff of RM1.70 per cubic metre of treated water was arrived at based on the operating and maintenance costs associated with the treatment and delivery of treated water. The base tariff is subject to an upward revision of approximately 11.75% every 3 years thereafter as set out in the schedules of supply rates in the Supply Agreement. The rate of increase represents a compounded annual increase of approximately 3.8% over each 3-year period and may be reviewed before the commencement of the 22nd contract year. Such tariff escalation takes into account inflationary increases relating to, among others, overheads and the operation and maintenance of the water treatment plant.	⁽³⁾ 16.2
Variation in chemical and electricity costs	Payable pursuant to any escalation in chemical and electricity costs, calculated based on the respective base unit prices/electricity tariff, subject to a maximum cost escalation of 4% per annum, which is broadly in line with the annual increase of approximately 3.8% in the supply charges.	(4)-
Extraordinary cost adjustments	Payable pursuant to any material addition to or increase in maintenance and operational costs that cannot be reasonably avoided or mitigated by the Supplier and which arise from unforeseen circumstances beyond the Supplier's control and not due to its fault, including changes in law, new or increased taxes or tariffs, new environmental or social compliance obligations, and uninsured infrastructure failures or emergency repairs resulting from force majeure events.	(4)-
		24.6

^(a) Under the Supply Agreement, treated water is deemed supplied to PBAPP where: (i) PBAPP receives less treated water than the applicable Minimum Quantity Commitment for reasons other than the Supplier's failure to supply, in which case PBAPP is deemed to have received a quantity equal to the Minimum Quantity Commitment; (ii) supply of treated water is temporarily suspended following PBAPP's allegation of non-compliance with the applicable water quality standards, and such allegation is subsequently disproved by independent laboratory testing, in which case the quantity deemed supplied will be based on the average quantity supplied during the immediately preceding billing period; or (iii) both the billing meter and the contingency meter are faulty or defective, in which case the quantity supplied will be based on the average quantity supplied over a period agreed by the parties, not exceeding the preceding 3 months.

Notes:

- (1) Estimated total bulk water supply charges for the Supply Period commencing from the Start Date.
- (2) Computed based on the annual fixed capacity charge of RM210.0 million multiplied by the Supply Period of 40 years. For information purposes, the total capacity charge of RM8.4 billion was arrived at based on the estimated costs to be incurred by the Supplier pertaining to the operational readiness of the water treatment plant over the Supply Period, the breakdown of which is as follows:

Details	Estimated costs (RM billion)
Capital expenditures for the construction and commissioning of the water treatment plant and associated infrastructure	3.0
Financing costs	3.6
Plant rehabilitation costs	1.5
Contingencies	0.3
Total	8.4

- (3) Computed based on the total annual supply of treated water of 109,500,000 cubic metres (based on 300 MLD), multiplied by the applicable water tariff for each contract year over the Supply Period, ranging between RM1.70 and RM7.21 per cubic metre as set out in the schedules of supply rates in the Supply Agreement.
- (4) Not available at this juncture due to the contingency nature of the costs.

For the avoidance of doubt, the construction of the dedicated water treatment plant will be undertaken by the Supplier and we will not incur any upfront payment or make any capital contribution to the Supplier in relation to the Proposed Bulk Water Purchase, other than paying for the bulk water supply charges during the Supply Period. Notwithstanding the foregoing, PBAPP is solely responsible for the receipt, storage, transmission and distribution of treated water beyond the delivery points, and shall bear the costs of the necessary infrastructure for such purposes as well as the stamp duty payable on the Supply Agreement. Accordingly, we will construct a new water pipeline and associated transmission infrastructure to channel the treated water from the delivery points to our reservoirs. We estimate the total cost of these works to be approximately RM0.4 billion.

3.1 Commercial justification of the bulk water supply charges

Our Board (save for the Dissenting Directors) is also of the view that the bulk water supply charges under the Proposed Bulk Water Purchase are commercially justifiable after taking into consideration the following:

- (i) the long-term nature and scope of the Proposed Bulk Water Purchase, under which the bulk water supply charges were negotiated on an arm's length basis between the parties after extensive commercial negotiations;
- (ii) PBAPP is obliged to pay the bulk water supply charges to the Supplier, subject to the approval of SPAN for the bulk water supply charges to be recoverable from PBAPP's end-consumers under its tariff-setting mechanism;

- (iii) the capacity charges are intended to enable the Supplier to recover the fixed costs associated with the development and continuous operation of the committed water treatment plant capacity and related infrastructure that has a maximum design capacity of 500 MLD, being the maximum supply quantity under the Proposed Bulk Water Purchase. These charges reflect the capital investment required for the design, construction, financing, operation and maintenance of the dedicated water treatment plant, together with the associated pipelines, reservoirs and supporting infrastructure, over the tenure of the Supply Agreement;
- (iv) the supply charges, starting at the base tariff of RM1.70 per cubic metre of treated water after taking into consideration the operating and maintenance costs associated with the treatment and delivery of treated water, which is benchmarked against Perak's prevailing non-domestic water rate;
- (v) the periodic review mechanism for the capacity rate and the extraordinary cost adjustment mechanism are limited to specified circumstances referred to in Section 3, Appendix I of this Circular and are intended to reflect changes in the underlying cost structure over the long-term tenure of the Supply Agreement, while safeguarding the long-term operational and financial sustainability of the bulk water supply system; and
- (vi) the overall pricing structure reflects the long-term capital-intensive nature of the Proposed Bulk Water Purchase, including the significant upfront investment, financing costs, and ongoing operation and maintenance requirements of the dedicated water treatment plant and associated infrastructure. In light of the strategic importance of securing a reliable and sustainable bulk water supply to meet the future water demand of Penang, the overall pricing structure represents an appropriate allocation of costs and risks between the parties and is commercially reasonable over the tenure of the Supply Agreement.

3.2 Reservations of the Dissenting Directors

Notwithstanding that the Dissenting Directors (comprising 5 out of 12 Directors) acknowledged the long-term strategic benefits of the Proposed Bulk Water Purchase to enhance Penang's long-term water security, they expressed their reservations in respect of certain terms of the Supply Agreement, relating to:

- (i) the Supplier's primary obligation to prioritise the water requirements of the State of Perak and the payment obligations arising in the event of a shortfall in treated water supply; and
- (ii) the consequences of a prolonged suspension of treated water supply, including the renegotiation, termination and related payment provisions, in particular, PBAPP will remain liable for the net present value of the capacity charges for the remainder of the original Supply Period if the Supply Agreement is terminated following a prolonged non-supply of treated water.

The Dissenting Directors were concerned that the above terms may result in a mismatch between PBAPP's payment obligations and the actual volume of treated water received by PBAPP, including circumstances where PBAPP may remain liable for capacity charges notwithstanding a reduction in, or prolonged interruption to, the supply of treated water.

Addressing the Dissenting Directors' concerns

Our Board acknowledges that the capacity charges constitute a significant component of the bulk water supply charges payable under the Supply Agreement. In assessing the commercial reasonableness of such charges, our Board took into consideration the capital-intensive nature of the infrastructure required to ensure the continuous availability of treated water supply throughout the Supply Period.

The Supplier is required to design, finance, construct, operate and maintain a dedicated water treatment plant as well as the associated pipelines, reservoirs and supporting infrastructure necessary to supply treated water to PBAPP. The capacity charges are intended to enable the Supplier to recover fixed costs incurred in making such dedicated treatment capacity available to PBAPP regardless of actual utilisation levels.

Our Board (save for the Dissenting Directors) notes that fixed capacity payment mechanisms are commonly adopted in long-term infrastructure and utility-related arrangements to facilitate cost recovery for substantial upfront capital investments and to ensure the long-term operational sustainability of critical infrastructure assets. Accordingly, our Board (save for the Dissenting Directors) considers the capacity charges to be commercially justifiable when viewed in the context of the overall commercial arrangements contemplated under the Supply Agreement.

After considering the strategic importance of the Proposed Bulk Water Purchase, our Board (save for the Dissenting Directors) is of the view that the above contractual risk associated with the capacity charges under the Supply Agreement (as set out in Section 6.1 of this Circular) is acceptable when balanced against the long-term benefits expected to be derived from securing a diversified and sustainable source of treated water for Penang.

Furthermore, the commencement of the supply of treated water is subject to, among others, PBAPP and the Supplier having jointly procured written confirmation from SPAN that the bulk water supply charges are allowable and recoverable from PBAPP's end-consumers under its tariff-setting mechanism. Accordingly, if such written confirmation is not obtained by the Long Stop Date, PBAPP may elect to either (a) agree with the Supplier to extend the Start Date, or (b) permit the Supply Agreement to lapse. If the Supply Agreement lapses due to non-satisfaction of this condition, PBAPP will not be liable for the capacity charges, as the Start Date would not have occurred and the supply of treated water under the Supply Agreement would not have commenced.

[The rest of this page is intentionally left blank]

4. RATIONALE AND BENEFITS OF THE PROPOSED BULK WATER PURCHASE

4.1 Requirement for additional long-term water supply

PBAPP is a water distribution licensee under the Water Services Industry Act 2006 responsible for the extraction, treatment and distribution of treated water in the State of Penang. As at the LPD, PBAPP holds a valid water distribution license issued by SPAN for a term of 4 years from 1 January 2023 to 31 December 2026. Upon expiry of the current license term, the license is expected to be renewed for a further term of 5 years, from 1 January 2027 to 31 December 2031.

A summary of our operational highlights for the past 5 financial years from the FYE 2021 to FYE 2025 is as follows:

	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025
No. of water treatment plants	9	9	9	9	10
Average daily treated water production (MLD)	1,126	1,178	1,198	1,208	1,208
<i>% increase from previous year</i>	-	4.6%	1.7%	0.8%	-
Average daily water consumption (MLD)	860	868	877	*870	*865
<i>% increase/(decrease) from previous year</i>	-	0.9%	1.0%	(0.8%)	(0.6%)

Note:

- * Reduction in average daily water consumption was primarily due to the increase in water tariffs implemented in 2023 and 2024.

Our Board (including the Dissenting Directors), having considered the historical water consumption levels, the projected increase in water demand to more than 1,100 MLD by 2032, the limited availability of new raw water sources, the State's continued reliance on Sungai Muda, as well as the additional 80 MLD supply expected from the Proposed INYA Transaction, is of the view that the Proposed Bulk Water Purchase is necessary to strengthen Penang's long-term water security. Water security is fundamental to ensuring the continuity and resilience of domestic, commercial and industrial water supply, particularly in the face of increasing demand, climate variability and potential supply disruptions. Penang is a water-stressed state with limited land area and water catchment resources, and is dependent on the Sungai Muda River in North Seberang Perai as its primary source of raw water to produce treated water.

However, the Sungai Muda River is also utilised by the State of Kedah for water abstraction upstream of Penang, which may constrain PBAPP's ability to increase water abstraction from the river in the future. The State's reliance on the Sungai Muda River underscores its vulnerability to potential fluctuations, disruptions and uncertainties affecting the availability of raw water from the river, and highlights the importance of securing a reliable and sustainable alternative or supplementary source of water to ensure the continuity and long-term security of Penang's water supply. In addition, PBAPP also anticipates that there will be no more conventional raw water resources from rivers and streams in Penang which PBAPP may tap to produce more treated water beyond 2030.

In view of Penang's growing population, rapid urbanisation and expanding industrial activities, demand for a reliable and sustainable water supply is expected to continue increasing, with the State's water consumption projected to exceed 1,100 MLD by 2032, which could place further pressure on the State's existing water supply capacity. Accordingly, PBAPP continuously evaluates and pursues sustainable and diversified sources of water supply to strengthen the State's long-term water security and improve supply resilience. Consistent with this strategy, PBAPP is undertaking both the Proposed Bulk Water Purchase and the Proposed INYA Transaction to secure additional sources of treated water supply.

Against this backdrop, we have been pursuing the implementation of an inter-state raw water transfer scheme known as the SPRWTS to mitigate the State's reliance on the Sungai Muda River since 2011. The SPRWTS proposes the abstraction of raw water from the Sungai Perak basin for pumping through a raw water tunnel into the Sungai Kerian basin where it may be abstracted by the Perak Water Board in North Perak and PBAPP in Penang. However, the proposed raw water transfer did not proceed due to the absence of an agreement between the State Governments of Penang and Perak. Subsequently, the NPWSS was initiated by the State Government of Perak as a broader water supply scheme, including the sale of surplus treated water to Penang. Following the appointment of the Consortium for the NPWSS in July 2025 and subsequent negotiations with PBAPP, the parties entered into the MOU in November 2025, pursuant to which the SPRWTS was replaced by the Proposed Bulk Water Purchase.

Apart from the Proposed Bulk Water Purchase, PBAPP is also undertaking the Proposed INYA Transaction as part of its broader strategy to secure additional treated water supply sources. Under the Proposed INYA Transaction, a new water treatment plant is expected to be completed by June 2027, following which PBAPP will purchase a minimum quantity of 80 MLD of treated water for a period of 30 years.

While the Proposed INYA Transaction will augment Penang's water supply capacity and strengthen the resilience of the State's water supply system, such additional treated water supply is not expected to be sufficient to address the anticipated growth in water demand over the longer term. Accordingly, PBAPP is also undertaking the Proposed Bulk Water Purchase to secure a further minimum quantity of 300 MLD of treated water supply, thereby providing additional capacity to meet Penang's long-term water requirements in light of the anticipated continued growth in the State's water demand. For information purposes, PBAPP anticipates that its existing water treatment capacity, together with the additional supply to be secured under the Proposed INYA Transaction, will be sufficient to meet the State's water demand prior to the commencement of treated water supply under the Proposed Bulk Water Purchase.

4.2 Strategic and operational benefits

The Proposed Bulk Water Purchase is expected to yield the following benefits:

(i) Diversification of water sources and enhancement of water security

The Proposed Bulk Water Purchase will diversify Penang's water sources and reduce the State's reliance on the Sungai Muda River as its primary raw water source. This concentration exposes the State to supply risks, as upstream water abstraction, operational decisions and irrigation demand may affect the quantity and quality of raw water available for treatment. Further, factors such as climate change, abnormal water turbidity (i.e. the degree of cloudiness or clarity of water caused by suspended particles such as silt, clay, organic matter, algae and other fine particles) and low water levels may adversely affect the availability and quality of raw water, thereby disrupting water supply. These vulnerabilities underscore Penang's exposure to external water resource management decisions and highlight the strategic importance of diversifying Penang's sources of water supply to enhance long-term water security and operational resilience against potential water supply shortages.

By securing an alternative source of treated water from the NPWSS, PBAPP will be able to strengthen the resilience and reliability of Penang's overall water supply system. The diversification of supply sources is expected to mitigate concentration risk and enhance Penang's ability to respond to disruptions affecting existing water resources.

(ii) **Supporting future water demand growth**

PBAPP is progressing with its RM2.1 billion WCP 2030 to ensure sufficient water supply for the State of Penang up to 2030. The WCP 2030 is PBAPP's strategic water infrastructure development plan aimed at ensuring the sufficiency and reliability of water supply in the State through the expansion of water treatment capacity by 602 MLD via 8 key water projects under 3 phases, the development of additional raw-water resources, and the strengthening of the treated-water distribution network.

Our progress for the upgrading of the 8 water projects as at the LPD are as follows:

Project			Phase	Details	Status
Bukit Panchor	Water	Treatment Plant	1	Upgrading works involving a new 10 MLD dissolved air flotation module	Completed
Sungai Dua	Water	Treatment Plant	1	Upgrading works involving a new 114 MLD water treatment module	Completed
Mengkuang Park	Water	Treatment Plant	2	Development of a new 114 MLD water treatment plant	Scheduled for completion in November 2026
Sungai Kerian	Water	Treatment Plant	2	Development of a new 114 MLD water treatment plant	Scheduled for completion by 2030
Sungai Muda	Water	Treatment Plant	2	Development of a new 114 MLD water treatment plant	Scheduled for completion by 2031
Sungai Perai	Water	Supply Scheme	2	Tapping of raw water from Sungai Perai for production of up to 136 MLD of treated water	Scheduled for completion by 2031
Pipeline laying in Seberang Perai			3	Laying of new dedicated pipelines from Sungai Dua Water Treatment Plant to the 3 rd Penang Twin Submarine Pipelines	Scheduled for completion by 2029
Pipeline laying in Penang island			3	Laying of new dedicated pipelines from the 3 rd Penang Twin Submarine Pipelines to Bukit Dumbar Reservoir and Pumping Station Complex	Scheduled for completion by 2028

The Proposed Bulk Water Purchase will enable PBAPP to further procure a minimum of 300 MLD of treated water for the Supply Period post-2030, with an option to request for an increase in the supply quantity to up to 500 MLD, subject to the terms and conditions of the Supply Agreement, to meet increasing water demand from population growth and economic development in the State. This additional supply is particularly important given Penang's reliance on the Sungai Muda River as its primary raw water source, coupled with the limited availability of viable new raw water sources within the State. These constraints significantly limit the State's ability to expand conventional water treatment capacity solely through the development of additional raw water resources. The Proposed Bulk Water Purchase complements PBAPP's ongoing infrastructure development initiatives under WCP 2030 by providing an additional source of treated water supply beyond the capacity that may be developed within Penang.

(iii) Supporting Penang's economic development and industrial competitiveness

The Proposed Bulk Water Purchase will strengthen the resilience of Penang's overall water supply system. Penang, being one of Malaysia's most industrialised states, requires large and consistent volumes of high-quality water to support the operations of the electrical and electronics, semiconductor, advanced manufacturing and related high-value sectors. The availability of adequate water resources is an important factor in supporting industrial productivity, facilitating future expansion and attracting new investments. With the Proposed Bulk Water Purchase, the additional supply of treated water is expected to support the continued growth of these industrial zones, preserve Penang's competitiveness as a destination for high-value manufacturing and investment, and reinforce the State's role as a key contributor to Malaysia's export-driven economy.

(iv) Most appropriate and sustainable long-term water supply solution

(a) Reduced capital commitment and improved resource allocation

Prior to recommending the Proposed Bulk Water Purchase, our management undertook an evaluation of the available long-term water supply options to strengthen Penang's water security and meet the State's projected future water demand. The evaluation considered the technical, commercial, financial, operational and environmental aspects of the available options, including the development of a seawater desalination plant. Based on the findings of the evaluation, the Proposed Bulk Water Purchase was identified as a viable, practical and sustainable long-term solution.

The Proposed Bulk Water Purchase provides a more practical solution with lower implementation risks and greater certainty in meeting Penang's growing water demand. It enables PBAPP to secure access to additional treated water capacity without undertaking the substantial upfront capital expenditure required to construct, own, operate or maintain a new large-scale water treatment plant and the associated infrastructure. In contrast, sourcing water through seawater desalination would involve substantially higher execution risks and a longer implementation period due to its complex engineering requirements, lengthy regulatory approval process, specialised equipment procurement and extended construction timeline.

Save for the estimated total costs of approximately RM0.4 billion for the construction of the necessary infrastructure to receive, store, transmit and distribute treated water beyond the delivery points, PBAPP will not be required to incur capital expenditure for the construction and development of the water treatment plant and associated infrastructure including pipelines, reservoirs and related supporting infrastructure until the Start Date. Accordingly, the capital investment required for the development of the dedicated water treatment facilities and associated infrastructure will primarily be undertaken by the Supplier. This allows PBAPP to optimise capital allocation and focus its resources on strengthening Penang's water distribution and supply network.

Under the Proposed Bulk Water Purchase, PBAPP will instead pay capacity charges in accordance with the terms and conditions of the Supply Agreement, thereby avoiding the need to incur substantial upfront capital expenditure required for the development of dedicated water treatment facilities and associated infrastructure. This arrangement reduces the need for immediate capital funding requirements by PBAPP while providing greater certainty of long-term water supply capacity.

(b) Cost effective and sustainable alternative to desalination

The Proposed Bulk Water Purchase, which entails the purchase of treated water using the conventional water treatment technology, is a more readily implementable and cost effective option as it involves lower capital expenditure and overall lifecycle costs when compared against a seawater desalination project. In contrast, a desalination plant would require substantial upfront capital investment in specialised equipment, infrastructure and facilities, and supporting civil works, and has a typical lifespan of approximately 20 years. In addition, desalination plants incur considerably higher operating and maintenance costs due to their energy-intensive processes and specialised technical requirements. For information purposes, based on our internal estimates derived from publicly available industry benchmarks and comparable desalination projects within the region, the aggregate capital expenditure and lifecycle costs associated with a typical 300 MLD desalination plant could exceed RM25.0 billion over an estimated development period of 6 years.

In addition, the Proposed Bulk Water Purchase leverages the existing water supply system under the NPWSS, thereby minimising environmental disturbance and reducing the need for the construction of new coastal infrastructure when compared against a seawater desalination project. In contrast, the implementation of a desalination plant may give rise to various environmental concerns including the conversion of coastal land from recreational or tourism use into industrial development, the discharge of highly concentrated brine and treatment chemicals that may adversely affect marine ecosystems, noise pollution from high-pressure pumping systems, and increased energy consumption resulting in higher greenhouse gas emissions and air pollution.

Having considered the findings of our management's evaluation, our Board (save for the Dissenting Directors) is of the view that the Proposed Bulk Water Purchase represents the most appropriate and sustainable long-term solution as it will enhance Penang's water security and safeguard the continuity of water supply, thereby providing greater certainty and sustainability in meeting Penang's long-term water requirements.

In summary, compared to seawater desalination, the Proposed Bulk Water Purchase enables us to secure a reliable and sustainable source of treated water within a shorter implementation timeframe, while avoiding the need for significant upfront capital expenditure, operational complexities and execution risks associated with developing an alternative water supply source.

[The rest of this page is intentionally left blank]

(v) Alignment with national water security and sustainability objectives

The Proposed Bulk Water Purchase is aligned with Malaysia's WST 2040 Agenda under the Twelfth Malaysia Plan, which seeks to enhance national water security through sustainable resource management, resilient infrastructure development, and cost-effective water solutions. It reflects a collaborative approach towards regional water resource management and is consistent with broader national objectives to enhance long-term water security through the optimisation of available water resources and infrastructure.

Rather than requiring the development of a new standalone water supply source within Penang, the Proposed Bulk Water Purchase leverages water resources and treatment infrastructure available under the NPWSS. This approach promotes more efficient utilisation of existing regional resources, reduces duplication of infrastructure investment and supports sustainable water resource management. Accordingly, our Board (save for the Dissenting Directors) is of the view that the Proposed Bulk Water Purchase represents a practical and responsible approach towards addressing Penang's long-term water supply requirements, while recognising the financial commitment associated with the capacity charges payable under the Supply Agreement.

(vi) Fulfilment of PBAPP's mandate

The Proposed Bulk Water Purchase is in line with PBAPP's mandate to ensure the adequacy, reliability and long-term sustainability of treated water supply to meet Penang's growing domestic, industrial and commercial water demand. By securing access to an additional long-term source of treated water, PBAPP will be better positioned to meet the State's future water requirements, support economic development and enhance resilience against potential water supply shortages. Accordingly, the Proposed Bulk Water Purchase is expected to play an important role in strengthening Penang's long term water security and supporting the sustainable economic and social development of the State.

4.3 Consequences if the Proposed Bulk Water Purchase is not implemented

In evaluating the Proposed Bulk Water Purchase, our Board also considered the potential implications should an alternative long-term water supply source not be secured.

In the absence of the Proposed Bulk Water Purchase, Penang may continue to be substantially dependent on the Sungai Muda River as its primary source of raw water. Such concentration may increase the State's exposure to operational, hydrological and climate-related risks that may affect the quantity and quality of raw water available for treatment in the future.

While PBAPP is also undertaking the Proposed INYA Transaction, which is expected to provide a minimum quantity of 80 MLD of additional treated water supply from 2027, there can be no assurance that such additional supply will be sufficient to meet future increases in domestic, commercial and industrial water demand. Without the Proposed Bulk Water Purchase, PBAPP may therefore need to pursue alternative water supply solutions, which could involve higher capital expenditure, longer implementation periods and greater execution risks. Accordingly, our Board (save for the Dissenting Directors) is of the view that the Proposed Bulk Water Purchase represents a timely opportunity to strengthen Penang's long-term water security and reduce the risks associated with continued reliance on existing water resources, while taking into consideration the financial commitments arising from the capacity charges and other payment obligations under the Supply Agreement.

4.4 Advantages and disadvantages of the Proposed Bulk Water Purchase

A summary of the key advantages and disadvantages of the Proposed Bulk Water Purchase is set out below:

Key advantages	Key disadvantages
• Enhances Penang's long-term water security by diversifying its water sources and reducing reliance on the Sungai Muda River as its primary raw water source • Provides an additional long-term treated water supply of at least 300 MLD from the Start Date to support Penang's projected future domestic, commercial and industrial water demand • Reduces upfront capital requirements as the Supplier will undertake the development of the dedicated water treatment plant and associated infrastructure, allowing PBAPP to focus its resources on strengthening its water distribution and supply network • Provides a more readily implementable and cost-effective alternative to seawater desalination, having regard to the capital expenditure, lifecycle costs, implementation requirements and environmental considerations	• Long-term contractual and financial commitment, as PBAPP will be subject to capacity charges and other bulk water supply charges over the Supply Period, including circumstances where capacity charges remain payable despite a reduction in, or prolonged interruption to, the supply of treated water • Dependence on the Supplier and implementation of the NPWSS, including the timely completion of the relevant infrastructure, availability of raw water and receipt of the relevant governmental and regulatory approvals • Additional supply beyond the Minimum Quantity Commitment is not assured, as it is subject to, among others, the water requirements of the State of Perak and the relevant approvals • Recovery of the bulk water supply charges through water tariffs is subject to SPAN's approval, and any delay or shortfall in cost recovery may adversely affect PBAPP's cash flows, profitability and financial performance

5. INDUSTRY OUTLOOK AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy

Economic growth strengthened to 6% in the 2nd quarter of 2026 (1st quarter of 2026: 5.4%), driven by continued domestic demand and robust exports. Household spending was supported by steady income growth and ongoing policy support. Investment growth was underpinned by continued spending on structures, and machinery and equipment. On the external front, exports accelerated, driven mainly by the continued strength in electrical and electronics products, and sustained expansion in services, as well as the rebound in exports of liquefied natural gas and non-electrical and electronic manufacturing products. Gross imports expanded further amid robust growth in intermediate and consumer goods imports.

Growth for 2026 is expected to be within the forecast range of 4% to 5%, with recent developments indicating that overall growth could be around 5%, supported primarily by continued domestic demand and strong exports.

(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2026)

5.2 Overview and outlook of the Malaysian water sector

Malaysia has introduced the WST 2040 Agenda in the Twelfth Malaysia Plan. The water sector is expected to play its role as an economic enabler and be the dynamic growth engine to ensure water security for all. This agenda aims to transform the water sector as a more dynamic economy in order to position Malaysia as a Regional Water Hub^(b) by 2040.

The strategies that are laid out in the WST 2040 Agenda align with the aim of the Water Action Decade^(c). These strategies include empowering people to ensure that the transformation is implemented, strengthening governance at all levels, enhancing the capacity of data driven decision-making, strengthening financial capacity and developing sustainable infrastructure with cost effective technology.

This agenda, which will be implemented for 20 years has a strategic direction that cuts across the 4 Malaysia Plans. It focuses on climate change impact and adaptation on the water sector, strengthening data integration, establishing water footprint and virtual water inventory, sustainable water resources management through the implementation of Water-Food-Energy Nexus, exploring alternative water financing, introducing water as new economic sector, raising public awareness and implementing Fourth Industrial Revolution (IR 4.0) in the various water sub-sectors.

The WST 2040 Agenda proposes the adoption of smart technological advancements by increasing digitalisation and connectivity to alleviate Water-Energy-Food nexus pressure points. Water digitalisation, which can be accomplished through a single-point comprehensive data integration, strengthens governance of the water sector and facilitates the formulation of evidence-based policies.

These technological solutions are in line with the Fourth Industrial Revolution (IR 4.0), which plays a critical role in maximising efficiencies and mitigating waste in the context of water and energy. These enhancements will support the efforts in tackling water security challenges and help the growth of the sector as well as creating spill-over effects such as boosting economic development.

Although virtual water and water footprint are relatively new concepts in Malaysia, elements to support water footprint initiatives are already in place. The National Water Balance System was established from the National Water Resources Policy^(d). The system was proposed as a comprehensive river basin management instrument. Through systematic and credible databases, the water footprint inventory can serve as a guidance in identifying the optimum water allocation for domestic, industry and agriculture consumption.

The water sector will focus on ensuring water security for all until 2040. The focus will be placed on strengthening water resources governance, financial sustainability and continuous engagement with the rakyat as well as implementing the circular economy concept in the entire sector's value chain.

^(b) The WST 2040 is a national agenda to transform the water sector into a dynamic and vibrant economic sector that contributes significantly to national gross domestic product, provide good quality affordable water to the Rakyat as well as create new job opportunities and facilitating resilient development of science, technology, innovation and economy, and research, development, innovation and commercialisation in the sector. The WST 2040 is planned over 4 phases, culminating in Phase 4 (2036 to 2040), which targets Malaysia's transformation of its water sector into a dynamic regional water hub that contributes significantly to the Malaysian economy.

^(c) Refers to the United Nations International Decade for Action, "Water for Sustainable Development" 2018 - 2028, a 10-year global initiative to encourage countries to take faster and stronger action on water-related issues.

^(d) The National Water Resources Policy provides the framework for the sustainable management, conservation and development of Malaysia's water resources. The policy is founded on the principles of Integrated Water Resources Management and aims to ensure long-term water security and sustainability for the well-being of the nation.

This long-term vision for water will start with accelerating the adoption of the circular economy and Integrated Water Resources Management^(e). Strengthening management of water resources and governance will better manage the trade-off between water, environment and development. This will benefit and accelerate the sustainable development goals implementation.

(Source: The Water Sector Transformation 2040, Ministry of Natural Resources, Environment and Climate Change of Malaysia)

5.3 Prospects of our Group

Our prospects are underpinned by sustained growth in water demand in the State of Penang, driven by continued industrialisation, population growth, and expansion of industrial activities, particularly in the electronics and semiconductor sectors. Penang's position as a key industrial hub is expected to continue attracting domestic and foreign investment, which will further increase demand for reliable and high quality treated water. Accordingly, water consumption in the State is projected to continue its upward trajectory over the medium to long term, providing us with steady demand visibility and a stable foundation for recurring revenue growth.

We expect to see gradual improvements in revenue recovery arising from the scheduled tariff adjustment for the State of Penang effective from 1 July 2026, which is intended to ensure the long-term sustainability of water supply services, support rising operating costs, and provide funding for critical infrastructure investments under the WCP 2030. With Penang's water consumption projected to increase in the coming years, the tariff adjustment is expected to strengthen the financial sustainability of our water supply operations and enhance our long-term revenue visibility and support earnings growth.

In addition, we are undertaking the RM2.1 billion WCP 2030, which comprises strategic investments in the upgrading and expansion of water treatment plants, pipeline infrastructure, and distribution systems to support future demand growth. These initiatives are essential in addressing Penang's structural water constraints, given the limited availability of new raw water sources within the State, which restricts the ability to expand conventional water treatment capacity. As a result, strategic initiatives to secure alternative and supplementary sources of bulk water supply, including the Proposed Bulk Water Purchase, are expected to play an increasingly important role in strengthening long-term water security. The Proposed Bulk Water Purchase is therefore expected to provide greater visibility over our long-term water supply capacity, while supporting the sustainable growth of our treated water business.

Apart from the Proposed Bulk Water Purchase, we also intend to undertake the Proposed INYA Transaction to secure an additional long-term source of treated water supply and further strengthen Penang's water security. The INYA Project is expected to support future demand growth in the State and, upon the transfer of ownership of the project assets comprising, among others, the water treatment plant, associated facilities and freehold land at the end of the 30-year water supply period, it will further strengthen our long-term water infrastructure base.

Premised on the above, our management is of the view that our outlook will remain positive, underpinned by sustained essential utility demand, regulatory support through tariff rationalisation, continued capital investment under WCP 2030, and the anticipated benefits of the Proposed INYA Transaction and the Proposed Bulk Water Purchase. Collectively, these factors are expected to enhance our long-term supply capacity, operational resilience, and ability to meet the growing water needs of the State of Penang in a sustainable manner.

(Source: Our management)

^(e) Refers to the adoption of a holistic and coordinated approach for the management of water, land and related resources, taking into consideration the interdependencies between domestic, industrial, agricultural and environmental water needs, as well as risks arising from floods, droughts and climate change under the WST 2040.

6. RISKS OF THE PROPOSED BULK WATER PURCHASE

6.1 Risk of interruption, suspension or termination of treated water supply

The supply of treated water under the Supply Agreement may be interrupted, reduced, suspended or terminated as a result of events arising under the Supply Agreement or circumstances beyond the control of the parties.

Under the terms of the Supply Agreement, the Supplier may, at its discretion, suspend, reduce or cease the supply of treated water upon the occurrence of certain suspension events (as described in Section 8, Appendix I of this Circular), including, among others, payment default by PBAPP, non-compliance with agreed supply parameters or permitted usage, regulatory directives or approvals, matters affecting PBAPP's licence, community opposition, operational or environmental disruptions, or circumstances where the supply is deemed unsafe or poses a risk to public health and safety.

The Supply Agreement may also be terminated in the event the conditions for the commencement of treated water supply on the Start Date is not fulfilled on or before the Long Stop Date, or upon the occurrence of specified termination events, including prolonged suspension of water supply, material breach of contractual obligations, insolvency events or other events provided for under the Supply Agreement.

In addition, the Supplier's obligations are subject to its overriding obligations to prioritise water supply requirements within the State of Perak as set out in Section 1, Appendix I of this Circular. The supply of treated water may also be affected by events beyond the control of the parties, including contamination or depletion of raw water sources, failure of water treatment or transmission infrastructure, changes in applicable laws or regulations, regulatory actions, force majeure events (including, among others, natural disasters, public health emergencies or other events beyond the reasonable control of the parties), and other unforeseen operational disruptions affecting the water supply system.

Accordingly, there can be no assurance that interruptions, reductions, suspensions or terminations in treated water supply will not occur. Any such interruption, reduction, suspension or termination may adversely affect the availability of treated water purchased by PBAPP under the Supply Agreement and its ability to meet water demand in the State of Penang, particularly during periods of peak consumption, hydrological stress or other supply constraints. Further, in the event that the Supply Agreement is terminated as a result of PBAPP's default, the termination liabilities payable to the Supplier may be substantial and could exceed the value of the treated water actually received by PBAPP prior to termination. Accordingly, PBAPP may be exposed to significant financial liabilities upon termination, including liabilities that may not be directly commensurate with the volume or value of the treated water supplied prior to termination.

In the event the Supplier is unable to supply, or only partially supplies, treated water to PBAPP for more than 3 consecutive months, either party may request for a renegotiation of the terms of the Supply Agreement. If the parties fail to reach an agreement within 3 months following such renegotiation, the Supply Agreement may be terminated and PBAPP will nevertheless remain liable to pay for any antecedent breach and liabilities (which includes the net present value of the capacity charges for the remainder of the Supply Period plus any other amount outstanding under the Supply Agreement) and the Supplier would not be required to compensate PBAPP by way of liquidated damages. Accordingly, PBAPP assumes long-term contractual obligations to make payment for the capacity charges even if the actual water supplied falls below contracted levels or there is a prolonged supply interruption, thereby exposing us to potentially significant fixed payment obligations irrespective of actual water supplied.

For the avoidance of doubt, the Supplier will only compensate PBAPP by way of liquidated damages in the event the Supplier fails to supply the Minimum Quantity Commitment or the Confirmed Quantity (as the case may be), or supplies treated water that is proven not to meet the prescribed quality standards. No liquidated damages shall be payable where the shortfall in treated water supply arises from the Supplier prioritising the water requirements of the State of Perak or any other suspension event (as described in Section 8, Appendix I of this Circular), other than a suspension event caused by the Supplier's own fault.

The termination of the Supply Agreement may require us to source alternative water supply at potentially higher cost or on less favourable terms, if available. Any of the foregoing may have a material adverse effect on our business operations, financial condition and results of operations.

Notwithstanding the above, PBAPP intends to continue engaging and working closely with the Supplier and the relevant authorities to monitor supply conditions and potential risks, coordinate response measures and implement appropriate operational, contingency and demand management strategies to mitigate the impact of any interruption, reduction, suspension or termination of treated water supply. In the event that the suspension of treated water supply by the Supplier persists and cannot be resolved through direct engagement and/or renegotiation between the parties, we will seek the intervention and mediation of the relevant State Governments. Such intervention would provide an additional avenue for the parties to address and resolve the matter, facilitate constructive engagement between the relevant stakeholders and, where practicable, support the restoration of treated water supply.

6.2 Delay in commencement of water supply

The commencement of treated water supply on the Start Date is subject to the satisfaction (or to the extent permitted by law, waiver) of (i) the conditions precedent to the Supply Agreement, including the registration of the Supply Agreement with SPAN before the Start Date, and the fulfilment of other conditions precedent as set out in Sections 5(ii) and 5(iii), Appendix I of this Circular on or before 30 November 2026 and (ii) the conditions to the Start Date on or before the Long Stop Date as set out in Section 2, Appendix I of this Circular.

The conditions to the Start Date include, among others, the timely completion and commissioning of the raw water abstraction, collection, transmission and delivery infrastructure and the water treatment plant, which in turn is dependent on the performance of the Supplier in the development, construction, commissioning and operation of the water abstraction, transmission and treatment facilities. It is also subject to the availability of adequate raw water supply and the receipt of all required regulatory approvals by the relevant parties. In addition, the Supply Agreement is conditional upon, among others, the execution of an agreement between the State Government of Perak and KAP granting the mandate or authorisation for the NPWSS, which is to be procured by the Supplier no later than 30 November 2026. For information purposes, the said agreement was entered into among the State Government of Perak, KAP and the Supplier on 20 October 2026 for the implementation of the NPWSS, including the Proposed Bulk Water Purchase.

Accordingly, any delay in the completion of the relevant infrastructure, the obtaining of necessary approvals, or the fulfilment of the foregoing requirements may result in a delay in the commencement of treated water supply to PBAPP under the Supply Agreement.

We seek to limit this risk through our continued proactive and coordinated engagement with the Supplier and the relevant authorities and/or stakeholders, with a view to facilitating the timely implementation and commencement of the Supply Agreement.

6.3 Conditional supply of additional treated water

Under the Supply Agreement, the Supplier shall supply to PBAPP the Minimum Quantity Commitment, which represents the minimum guaranteed quantity of treated water supply under the Supply Agreement. In addition, PBAPP may submit a Surplus Request to the Supplier for additional supply of treated water of not more than 5% of the Minimum Quantity Commitment (such that the aggregate of the Minimum Quantity Commitment and the Surplus Request does not exceed 105% of the Minimum Quantity Commitment) together with its annual request for the quantity of treated water required for each subsequent contract year. However, any Surplus Request is subject to the Supplier's obligation to prioritise and meet the water demand requirements of the State of Perak, as well as the approval of the State Government of Perak. Accordingly, there can be no assurance that any Surplus Request will be fully accommodated.

We seek to limit this risk through proactive engagement with the Supplier to communicate our projected water demand and seek approval for any Surplus Request submitted under the Supply Agreement. The management of PBAPP will maintain regular discussions with the Supplier to facilitate forward planning and maximise the likelihood that additional treated water requirements can be accommodated, taking into account the Supplier's obligation to prioritise the water demand requirements of the State of Perak.

In addition, we will continue to monitor our water demand and operational requirements to support the timely submission of any Surplus Request and optimise our water supply planning. In the event that a Surplus Request cannot be fulfilled due to the Supplier's need to prioritise the water requirements of the State of Perak or other factors affecting the availability of treated water, we will seek the intervention and mediation of the relevant State Governments to explore appropriate measures to address any potential shortfall, and ensure the continuity and reliability of our water supply.

6.4 SPAN's discretion in approving the tariff-setting mechanism

The financial viability of the Proposed Bulk Water Purchase is dependent, to a significant extent, on our ability to recover the bulk water supply charges from our end-consumers through the applicable water tariff. Under the prevailing regulatory framework, any revision to water tariffs, including the recovery of additional costs arising from the bulk water supply charges, is subject to the approval of SPAN. Such approval is discretionary and is based on SPAN's assessment of, among others, our business plan, proposed tariff structure, cost analysis, regulatory policies and other considerations applicable at the relevant time.

Although PBAPP will submit a business plan and tariff revision proposal that incorporates the bulk water supply charges as part of its cost recovery mechanism, the proposed tariff revision in its entirety or in part, or at all, is subject to the approval of SPAN. SPAN may determine that certain cost components, including all or part of the bulk water supply charges, are not allowable, prudent or recoverable under its tariff-setting framework. In addition, SPAN may approve a tariff increase that is lower than the amount proposed, in which case the State Government of Penang may defer the implementation of any proposed tariff increase, stagger the recovery of costs over a longer period, or impose conditions that affect the timing, quantum or structure of cost recovery. SPAN may also require amendments to PBAPP's business plan or cost assumptions before granting approval.

In the event that the approved tariff is insufficient to fully recover the bulk water supply charges or is delayed, we may be required to absorb part of the costs in the short to medium term, which may adversely affect our cash flows, profitability and financial performance. There can be no assurance that future tariff revisions will fully align with our cost base under the Proposed Bulk Water Purchase.

We seek to limit this risk through proactive engagement with SPAN and other relevant stakeholders in relation to future tariff reviews. The management of PBAPP will prepare and submit comprehensive business plans, financial projections and supporting documentation to substantiate the proposed tariff revision and demonstrate the prudence and necessity of recovering the bulk water supply charges through the applicable water tariff. In addition, we will continue to monitor our cost structure and implement appropriate operational and cost management measures to enhance efficiency and minimise the impact of any delay or shortfall in cost recovery.

6.5 Risk relating to increases in bulk water supply charges

The bulk water supply charges payable by PBAPP are subject to various review, adjustment and pass-through mechanisms under the Supply Agreement. These include, among others, periodic revisions to the supply charges, adjustments arising from variations in chemical and electricity costs, and extraordinary cost adjustments arising from changes in law, taxes, tariffs, environmental obligations or other unforeseen circumstances.

As the Supply Agreement extends over a long-term period, there can be no assurance that future cost increases will not be significant. In such circumstances, we may seek to recover the bulk water supply charges from our end-consumers through the applicable water tariff, subject to the approvals of SPAN and the State Government of Penang. To the extent that any increase in the bulk water supply charges is not recoverable through the applicable tariff-setting mechanism, we may be required to absorb such costs, which may adversely affect our profitability, cash flows and financial performance.

Nevertheless, we will continue to closely monitor changes in the bulk water supply charges and our operating costs, and engage with the relevant regulatory authorities in respect of tariff adjustments, where appropriate, with a view to mitigating the impact of unrecovered cost increases on our profitability and cash flows.

6.6 Political and regulatory risk

The Proposed Bulk Water Purchase is dependent on the continued implementation and operation of the NPWSS, which is subject to, among others, various governmental approvals, regulatory requirements and policies relating to water resources, water supply and environmental management.

In addition, the Supply Agreement contains provisions allowing the Supplier, following a material change in law affecting its ability to perform or increasing its costs, to seek adjustments including modifications to supply commitments, extraordinary cost adjustments and other reasonable amendments to the commercial arrangements under the Supply Agreement.

Accordingly, any changes in applicable laws, regulations, government policies or regulatory requirements, whether at the federal or state level, may affect the development, operation or economics of the NPWSS and, consequently, the supply of treated water to PBAPP under the Supply Agreement. Any such changes may also result in increased costs being passed through to PBAPP and may affect the quantity, pricing or availability of treated water supplied under the Supply Agreement, which may adversely affect our financial condition and results of operations.

We seek to limit this risk through proactive engagement with the relevant authorities and stakeholders and monitor regulatory developments to mitigate the potential impact of such changes on the Proposed Bulk Water Purchase.

7. EFFECTS OF THE PROPOSED BULK WATER PURCHASE

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Bulk Water Purchase will not have any effect on our issued share capital or the shareholding of our substantial shareholder, as it does not involve any issuance of new Shares.

7.2 NA and gearing

Based on our audited consolidated financial statements as at 31 December 2025, the pro forma effect of the estimated expenses in relation to the Proposed Bulk Water Purchase on our NA per Share and gearing is as follows:

	Audited as at 31 December 2025 (RM'000)	After the Proposed Bulk Water Purchase (RM'000)
Share capital	327,579	327,579
Reserves	838,760	⁽¹⁾ 837,421
NA	1,166,339	1,165,000
Number of Shares in issue (excluding treasury shares) ('000)	330,994	330,994
NA per Share (RM)	3.5	3.5
Total borrowings	529,344	529,344
Gearing ratio ⁽²⁾ (times)	0.5	0.5

Notes:

- (1) After deducting the estimated expenses of approximately RM1.3 million in relation to the Proposed Bulk Water Purchase, the breakdown of which is as follows:

Details	RM'000
Professional fees	1,181
Fees payable to the relevant authorities	50
Cost of convening the EGM	108
Total	1,339

- (2) Computed as total borrowings divided by NA.

No pro forma adjustment for the Proposed Bulk Water Purchase has been made over the Supply Period, as the financial effects thereof are expected to arise only upon the fulfilment of all the conditions under the Supply Agreement (including the conditions for the Start Date) for the commencement of the supply of treated water on the Start Date. In addition, the actual supply of treated water is dependent on future events and circumstances that are not capable of objective determination at this stage.

The future financial effects of the Proposed Bulk Water Purchase, including the bulk water supply charges payable by PBAPP and the extent to which such costs may be recoverable through future water tariffs, would depend on various factors that cannot be factually supported at this juncture. These factors include, among others, future water demand, actual off-take volumes, tariff approvals by SPAN, and the operation of cost adjustment mechanisms under the Supply Agreement. Accordingly, the resulting financial effects cannot be reliably quantified at this stage and have not been reflected in the pro forma consolidated statement of financial position above.

7.3 Earnings and EPS

Save for the estimated expenses in relation to the Proposed Bulk Water Purchase of approximately RM1.3 million, the Proposed Bulk Water Purchase is not expected to have any immediate effect on our earnings and EPS, as the treated water supply under the Supply Agreement will only be expected to commence from the Start Date.

The pro forma effect of the estimated expenses in relation to the Proposed Bulk Water Purchase on our consolidated EPS, assuming it had been effected at the beginning of the FYE 2025, are illustrated as follows:

	Audited for the FYE 2025 (RM'000)	After the Proposed Bulk Water Purchase (RM'000)
Profit after tax	114,549	⁽¹⁾ 113,210
Number of Shares in issue (excluding treasury shares) ('000)	330,994	330,994
Basic EPS ⁽²⁾ (RM)	0.3	0.3

Notes:

- (1) After deducting the estimated expenses of approximately RM1.3 million in relation to the Proposed Bulk Water Purchase.
- (2) Computed as profit after tax divided by number of Shares in issue (excluding treasury shares).

Subject to the fulfilment of the conditions for the Start Date and upon commencement of the Supply Period, the Proposed Bulk Water Purchase is expected to result in recurring revenue and expenditure for our Group. The financial impact will principally arise from:

- (i) the bulk water supply charges payable by PBAPP to the Supplier for the purchase of treated water under the Proposed Bulk Water Purchase, comprising capacity charges, supply charges, variation in chemical and electricity costs and, where applicable, extraordinary cost adjustments; and
- (ii) the recovery of such costs, together with the associated costs of supplying the treated water from end-consumers, through the applicable water tariff.

Under the Supply Agreement, PBAPP will be subject to capacity charges and Minimum Quantity Commitment. As a result, PBAPP may be required to incur a minimum level of costs regardless of the actual volume of treated water supplied or consumed. Where the volume of treated water received or deemed to be received falls below the applicable Minimum Quantity Commitment, PBAPP may nevertheless remain liable for the relevant capacity charges and, subject to the circumstances of the shortfall, supply charges based on the Minimum Quantity Commitment or the actual quantity supplied (as the case may be). Accordingly, the costs incurred by PBAPP may not vary directly with the actual volume of treated water supplied or consumed.

The extent to which the bulk water supply charges can be recovered through future water tariffs cannot be determined with certainty at this juncture, as any revision of water tariffs is subject to the approvals of SPAN and the State Government of Penang. While PBAPP intends to incorporate the expected bulk water supply charges into its future business plans and tariff revision proposals, there can be no assurance that any proposed tariff revision will be approved by SPAN, whether in full or in part, or consented to and implemented by the State Government of Penang. In addition, any tariff revision that is approved or implemented may not take effect concurrently with the commencement of, or increase in, the bulk water supply charges.

For illustration purposes:

- (i) if the bulk water supply charges are fully recoverable in a timely manner through the applicable water tariff, the additional costs arising from the Proposed Bulk Water Purchase are expected to be substantially offset by the corresponding increase in tariff revenue, subject to factors such as the timing of tariff revisions, water demand and consumption levels, and other operating costs. In such circumstances, the overall impact on our earnings and EPS is expected to be limited, although there may still be a timing difference between the incurrence of the bulk water supply charges and the recovery of such costs from end-consumers; and
- (ii) if the approved tariff is insufficient to fully recover the bulk water supply charges, or if tariff revisions are delayed, deferred or staggered, PBAPP may be required to absorb the unrecovered portion of such costs during the relevant period. This would increase PBAPP's operating costs without a corresponding increase in revenue, and adversely affect our earnings and EPS. The extent of such impact will depend on, among others, the amount of unrecovered costs, the duration of any recovery gap, the volume of treated water supplied and consumed, the prevailing tariff rates, and PBAPP's ability to mitigate the impact through operational efficiencies and other cost management measures.

In addition, the financial impact of the Proposed Bulk Water Purchase may also vary over the Supply Period due to the contractual review and adjustment mechanisms applicable to the bulk water supply charges, including the scheduled increases in the supply charges every 3 consecutive contract years commencing from the 4th contract year, adjustments arising from variations in chemical and electricity costs in accordance with the adjustment mechanism, and the potential for extraordinary cost adjustments. Such increases in PBAPP's cost base may not necessarily be matched by corresponding increases in the water tariff applicable to end-consumers, which may in turn affect our future earnings and EPS.

8. APPROVAL/CONSENT REQUIRED

The Proposed Bulk Water Purchase is subject to:

- (i) the approval of our shareholders for the Proposed Bulk Water Purchase at our forthcoming EGM, to be obtained no later than 30 November 2026;
- (ii) the registration of the Supply Agreement with SPAN in accordance with the Water Services Industry (Bulk Water Supply Agreement) Rules 2015, to be procured any time before the Start Date;
- (iii) the execution of an agreement between the State Government of Perak and KAP by 30 November 2026, granting KAP and its group of companies the mandate or authorisation to implement the NPWSS, including the Proposed Bulk Water Purchase (which was satisfied on 20 October 2026); and
- (iv) the consent of any other relevant authorities and/or parties, if required.

The Proposed Bulk Water Purchase is a very substantial transaction as the highest percentage ratio applicable to the Proposed Bulk Water Purchase pursuant to Paragraph 10.02(1)(g) of the Listing Requirements exceeds 100.0%, based on the estimated consideration of approximately RM24.6 billion, as set out in Section 3 of this Circular, compared against our NA.

9. CONDITIONALITY OF THE PROPOSED BULK WATER PURCHASE

Save for the Proposed Bulk Water Purchase and as disclosed below, there are no other corporate exercises/schemes that have been announced by our Company but have yet to be completed before the printing of this Circular.

On 27 August 2026, RHB Investment Bank, on behalf of our Board, announced that PBAPP proposes to undertake the Proposed INYA Transaction, which comprises the following:

- (i) the BOT Agreement entered into between PBAPP and INYA for the implementation of the INYA Project, which involves the design, financing, construction, commissioning, managing, operating and maintaining of (a) a new water treatment plant with a minimum capacity of 80 MLD, (b) associated raw water intake facility to be constructed and located along Sungai Kerian within the State of Penang boundary, and (c) sludge treatment facilities to be constructed for receiving, processing, treating and disposing of sludge generated by the water treatment plant; and
- (ii) the BWS Agreement to be entered into between PBAPP and a special purpose vehicle to be incorporated by INYA for the supply of treated water produced by the water treatment plant under the INYA Project for a period of 30 years commencing from the Commercial Operation Date, at an estimated total consideration of RM1.1 billion.

As at the LPD, the BOT Agreement remains subject to the fulfilment of the condition precedent stipulated therein. For the avoidance of doubt, the BWS Agreement will be entered into after the incorporation of the special purpose vehicle and before the Commercial Operation Date.

The Proposed Bulk Water Purchase is not conditional upon the Proposed INYA Transaction or any other proposal undertaken or to be undertaken by our Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

None of our Directors, major shareholders and persons connected with them has any interest, direct or indirect, in the Proposed Bulk Water Purchase.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Dissenting Directors) is of the opinion that the Proposed Bulk Water Purchase is in the best interests of our Company and our shareholders. The Dissenting Directors did not vote in favour of the Proposed Bulk Water Purchase due to the concern set out below.

Under the Supply Agreement, the Supplier retains an overriding obligation to prioritise and meet the water demand requirements of the State of Perak. If the Supplier is unable to supply, or only partially supplies, treated water to PBAPP for more than 3 consecutive months during the Supply Period, either party may request for a renegotiation of the terms of the Supply Agreement. If the parties fail to reach an agreement following such renegotiation, the Supply Agreement may be terminated. PBAPP will nevertheless remain liable to pay the net present value (calculated using a 4% discount rate) of the capacity charges for the remainder of the original Supply Period, as such capacity charges are fixed and intended to enable the Supplier to recover the costs associated with the development and continuous operation of the dedicated water treatment plant capacity and related infrastructure, amounting to approximately RM210.0 million per contract year. Under such circumstances, the Supplier would not be required to compensate PBAPP by way of liquidated damages.

Accordingly, the Dissenting Directors are concerned that there is a risk of a mismatch between PBAPP's payment obligations and the actual volume of treated water received as PBAPP may be required to continue paying capacity charges despite receiving less than the contracted quantity of treated water.

The remaining members of our Board acknowledge the above contractual risk and in evaluating this risk, they took into consideration that the commencement of treated water supply is subject to, among others, PBAPP and the Supplier jointly procuring SPAN's written confirmation that the bulk water supply charges are allowable and recoverable from PBAPP's end-consumers under its tariff-setting mechanism. If such confirmation is not obtained by the Long Stop Date, PBAPP may either agree with the Supplier to extend the Start Date, or permit the Supply Agreement to lapse, in which case no capacity charges would be payable as the Start Date would not have occurred.

The remaining Board members also took into consideration, among others, the strategic importance of the NPWSS to both the State of Perak and the State of Penang, the substantial capital investment required to develop and maintain the dedicated water treatment infrastructure, the long-term commitment of the parties under the Supply Agreement, and the mutual commercial interests of the parties in ensuring the successful and continuous operation of the bulk water supply system.

In addition, the development and operation of the NPWSS will involve ongoing engagement among the relevant stakeholders, including governmental authorities, regulatory bodies and the parties to the Supply Agreement, which is expected to facilitate the resolution of operational challenges and support the continuity of treated water supply.

Having weighed the foregoing considerations against the strategic benefits of securing a long-term alternative source of treated water for Penang, the remaining Board members are of the view that the above contractual risk associated with the capacity charges under the Supply Agreement is outweighed by the long-term strategic benefits of the Proposed Bulk Water Purchase as set out in Section 4 of this Circular.

In particular, the remaining Board members consider that the Proposed Bulk Water Purchase will enhance Penang's long-term water security by diversifying its water supply sources, strengthening the resilience of its water supply system, and providing a cost effective and sustainable solution to meet the State's growing water demand.

Accordingly, the remaining Board members are of the opinion that the Proposed Bulk Water Purchase is in the best interests of our Company and recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Bulk Water Purchase to be tabled at our forthcoming EGM.

12. TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to the relevant approvals being obtained, the Proposed Bulk Water Purchase is expected to commence from 2032 for a period of 40 years until 2072.

13. EGM

Our forthcoming EGM, the notice of which is enclosed in this Circular, will be held at St. Giles Wembley Penang Hotel, 183, Magazine Road, 10300 George Town, Pulau Pinang, Malaysia, on Thursday, 12 November 2026 at 2:30 p.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolution as set out in the Notice of EGM therein to give effect to the Proposed Bulk Water Purchase. The Notice of EGM and the Form of Proxy are enclosed in this Circular and available on our website at <https://pbahb.com.my/bursa-announcements>.

If you are unable to attend, speak and vote in person at our forthcoming EGM, you may appoint not more than 2 proxies to attend, speak and vote on your behalf. If you wish to do so, you must complete and deposit the Form of Proxy in accordance with the instructions contained therein at our Registered Office at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia or alternatively by electronic means via email at infopbahb@pba.com.my not less than 48 hours before the time set for our forthcoming EGM or at any adjournment thereof. The lodgement of the Form of Proxy will not preclude you from attending, speaking and voting in person at our forthcoming EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

You are requested to refer to the enclosed appendices for further information.

Yours faithfully,
For and on behalf of the Board of
PBA HOLDINGS BHD

YAB TUAN CHOW KON YEOW
Non-Independent Non-Executive Chairman

SALIENT TERMS OF THE SUPPLY AGREEMENT

The salient terms of the Supply Agreement are as follows:

1. Supply quantity

The Supplier shall supply to PBAPP a minimum quantity of 300 MLD of treated water, subject to the terms of the Supply Agreement.

The Supply Agreement shall not restrict and/or prohibit PBAPP from taking and/or receiving treated water below the applicable Minimum Quantity Commitment at any time, provided that, in such a case for purposes of billing and payment, PBAPP shall still pay supply charges and capacity charges for, and be deemed to have received, treated water at a quantity equal to the Minimum Quantity Commitment plus, if any, the variation in chemical and electricity costs.

If PBAPP receives treated water below the applicable Minimum Quantity Commitment due to (i) the Supplier's primary obligation to prioritise the State of Perak, (ii) the Supplier's failure to supply that results in liquidated damages becoming payable to PBAPP under the Supply Agreement, or (iii) a suspension of supply arising from non-compliance with the applicable water quality standards, PBAPP shall pay bulk water supply charges provided always that the supply charges payable to the Supplier shall be calculated based only on the actual treated water supplied, instead of the Minimum Quantity Commitment. Any charges in respect of the variation in chemical and electricity costs are based on actual consumption of chemicals and electricity in accordance with the terms of the Supply Agreement.

1.1 Surplus Request

After the 1st contract year⁽⁶⁾, PBAPP must submit an annual request, together with a 3-year rolling forecast, for the quantity of treated water required for the next contract year, no later than 90 days prior to the commencement of the following contract year. The requested quantity must be at least the Minimum Quantity Commitment and may include the Surplus Request. The Surplus Request shall not exceed 5% of the Minimum Quantity Commitment, and the aggregate of the Minimum Quantity Commitment and the Surplus Request shall not exceed 105% of the Minimum Quantity Commitment.

The Supplier shall confirm the Confirmed Quantity, failing which the existing quantity shall continue to apply.

The Supplier is not obliged to confirm any Surplus Request. The Surplus Request, which is subject to the prior written approval of the State Government of Perak, shall be determined based on available supply after meeting the projected water demand within the Supplier's designated supply area in Perak, the applicable environmental and climatic conditions and the applicable laws and governmental policies binding on the Supplier.

1.2 Review of the Minimum Quantity Commitment

The Minimum Quantity Commitment is subject to an upward review every 3 contract years starting from the 4th contract year after the Start Date. PBAPP may initiate such review by giving at least 6 months' notice before the next Review Period (as defined in Section 3(ii), Appendix I of this Circular). The parties shall agree on any revised commitment no later than 3 months before the start of the next Review Period, subject to the prior written approval of the State Government of Perak. Any agreed revision shall apply throughout the relevant Review Period.

⁽⁶⁾ Means a period of 12 months commencing on the Start Date.

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

Notwithstanding the above, PBAPP may also, at any time, request for an increase of the Minimum Quantity Commitment by giving at least 6 months' notice before the commencement, and the parties shall mutually agree on the revised amount at least 3 months before commencement, subject to the approval of the State Government of Perak. If the parties fail to reach a mutual agreement on the revised Minimum Quantity Commitment within the stipulated period of time, the Minimum Quantity Commitment during the immediately preceding period shall continue to apply.

Unless otherwise agreed in writing by the parties and approved by the State Government of Perak, any increase in the Minimum Quantity Commitment is subject to the availability of treated water and shall not, at any time during the Supply Period, result in the Minimum Quantity Commitment, Surplus Request or Confirmed Quantity, whether individually or in aggregate, to exceed the maximum design capacity of the water treatment plant of 500 MLD.

1.3 Payment of liquidated damages

The Supplier's primary obligation shall be to meet the water requirements of the State of Perak and the Supplier shall not be liable to PBAPP for any failure to supply treated water (including any suspension, reduction or cessation of supply) due to the Supplier's primary obligation towards the supply of water for the State of Perak.

Subject to the Supplier's primary obligation to meet the water requirements of the State of Perak as stated above and the occurrence of any suspension event, if the Supplier fails to supply the Minimum Quantity Commitment or the Confirmed Quantity (as the case may be), the Supplier shall be liable to pay liquidated damages to PBAPP. The Supplier shall be liable for liquidated damages for the period of any suspension of water supply caused by a deviation from the water quality standards, as confirmed by an independent laboratory testing, until such deviation is rectified.

The liquidated damages shall be calculated based on the applicable rate during the relevant Supply Period commencing at the base tariff of RM1.70 per cubic metre of treated water for the 1st contract year and be subject to upward revision of approximately 11.75% every 3 years thereafter, as set out in the Supply Agreement, multiplied by the shortfall from the Minimum Quantity Commitment or the Confirmed Quantity, whichever is applicable.

2. Supply period

Unless otherwise agreed by the Supplier and PBAPP, and subject to the satisfaction (or, to the extent permitted by law, waiver) of the conditions precedent to the Supply Agreement, including the registration of the Supply Agreement with SPAN before the Start Date, and the fulfilment of other conditions precedent as set out in Sections 5(ii) and 5(iii) of this Appendix on or before 30 November 2026, the Supplier shall perform and commence the supply and delivery of treated water on the Start Date in accordance with the terms of the Supply Agreement, for the Supply Period, provided that the following conditions are satisfied:

- (i) the timely completion and commissioning of the source works, infrastructure and systems for the abstraction, collection, transmission and delivery of raw water from the Sungai Perak River to the Bukit Merah Dam as well as from any alternative or additional source locations, and the completion and commissioning of the 500 MLD capacity water treatment plant;
- (ii) the availability of adequate raw water quantity at the water treatment plant;

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

- (iii) the parties having jointly procured written confirmation from SPAN, in any form reasonably satisfactory to both Parties, that the bulk water supply charges are allowable and recoverable from the end-consumers of PBAPP under the tariff-setting mechanism of PBAPP; and
- (iv) receipt of all necessary approvals issued by the responsible authority for the performance of their respective obligations under the Supply Agreement, including those required under the Water Services Industry Act 2006.

The Supplier is required to give PBAPP at least 30 days' written notice before the Start Date.

If any one or more of the above conditions for the Start Date are not satisfied on or before the Long Stop Date, PBAPP may elect to either (a) agree with the Supplier to extend the Start Date, or (b) permit the Supply Agreement to lapse, and neither party shall have any claim against the other, save for any antecedent breach.

PBAPP shall have a right of first refusal to extend the Supply Period on terms to be mutually determined by the parties and subject to the prior written approval of the State Government of Perak by giving a notice in writing to the Supplier. Such notice shall be served to the Supplier no later than 10 years prior to the expiry of the Supply Period.

If PBAPP is not ready⁽⁷⁾ to receive treated water on the Start Date, the Supplier shall not be liable for any non-supply or delays, and PBAPP shall pay the capacity charges from the Start Date based on the Minimum Quantity Commitment.

3. Charges and payment

PBAPP shall pay to the Supplier the bulk water supply charges, which are computed based on the applicable formulae set out in the Supply Agreement, comprising the following:

- (i) capacity charges, payable by reference to the applicable quantity commitment for the construction, availability and operation of the dedicated water treatment plant for PBAPP with a maximum design capacity of 500 MLD, together with pipelines, reservoirs and related supporting infrastructure;
- (ii) supply charges, calculated as a variable charge per cubic metre of treated water supplied or deemed supplied (as set out in the Supply Agreement), at a supply rate which increases every 3 consecutive contract years commencing from the 4th contract year as set out in the schedules of supply rates in the Supply Agreement (each such 3 consecutive contract years referred to as "**Review Period**")⁽⁸⁾;

⁽⁷⁾ Pursuant to the terms of the Supply Agreement, PBAPP is required to ensure that the necessary infrastructure is in place to receive, store, transmit and distribute treated water beyond the delivery points. PBAPP is further required to ensure that such infrastructure is designed, constructed and maintained in compliance with all applicable laws and is fully compatible with the Supplier's water supply system.

⁽⁸⁾ Prior to the 8th Review Period (i.e. before the commencement of the 22nd contract year), PBAPP may request for a review of the rate of increase in the supply charges to be negotiated between the parties. For the avoidance of doubt, the negotiation between the parties may result in the revised supply charges exceeding the agreed rate of increase as set out in the Supply Agreement. If no agreement is reached 3 months before the 8th Review Period begins, PBAPP may elect to terminate the Supply Agreement, subject to a 2-month prior notice before the 8th Review Period and payment of the net present value of the capacity charges for the remainder of the Supply Period and other outstanding amounts payable by PBAPP to the Supplier (calculated using a 4% discount rate), whereupon termination shall take effect on the last day of the 7th Review Period.

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

- (iii) variation in chemical and electricity costs, payable as pass-through costs based on actual consumption, subject to the adjustment mechanism as set out in the Supply Agreement and a maximum cost escalation of 4% per annum; and
- (iv) extraordinary cost adjustments, payable upon the occurrence of a material addition of, or increase in, maintenance and operational costs of the Supplier that cannot be reasonably avoided or mitigated by the Supplier arising from unforeseen circumstances beyond the Supplier's control and not due to its fault, which include any change in law, the imposition of new taxes or tariffs, compliance with new or revised environmental or social obligations, and infrastructure failures or emergency repairs resulting from force majeure events (to the extent not recoverable under the insurance policy of the Supplier). In addition, if there is any material change in electricity tariffs or a requirement to use new chemicals due to a change in law which results in increased costs to the Supplier, the Supplier shall be entitled to pass through such increased costs to PBAPP on a full-cost recovery basis.

The Supplier shall issue invoices to PBAPP within 7 days after the end of each calendar month for any bulk water supply charges in respect of that month, and PBAPP shall pay each invoice within 75 days from the date of the invoice. The Supplier is entitled to charge a late payment interest on any overdue amount, calculated from the payment due date until the actual full payment including accrued interest at a rate of 8% per calendar year.

4. Water quality standards

The Supplier shall supply treated water to PBAPP in accordance with the quality standards as set out in the Supply Agreement.

Prior to the Start Date or during the Supply Period, PBAPP may request the Supplier to comply with higher or additional quality standards or parameters, subject to mutually agreed terms and additional costs determined by reference to applicable industry or market standards, the cost of which shall be borne by PBAPP.

5. Conditions precedent

The Supply Agreement shall be conditional upon:

- (i) the registration of the Supply Agreement with SPAN in accordance with Rule 2(1) of the Water Services Industry (Bulk Water Supply Agreement) Rules 2015, to be jointly procured by the Supplier and PBAPP any time before the Start Date, provided that the parties shall, within 14 days from the date of the Supply Agreement, present to SPAN a signed copy of the Supply Agreement and commence consultation with SPAN towards such registration;
- (ii) the approval of the shareholders of PBAHB for the entry of the Supply Agreement for the Proposed Bulk Water Purchase, to be procured by PBAPP no later than 30 November 2026; and
- (iii) the execution of an agreement between the State Government of Perak and KAP, granting KAP and its group of companies the mandate or authorisation for the NPWSS (including the Proposed Bulk Water Purchase), to be procured by the Supplier no later than 30 November 2026.

If any of the conditions precedent are not satisfied or (to the extent permitted by law) waived before or on the deadlines stated above (or any extended deadline mutually agreed by the parties in writing by no more than 30 days each time), the Supply Agreement will lapse with no liability by either party except for any antecedent breach of the Supply Agreement.

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

6. Indemnity

Each party shall indemnify the other party against any claims, losses or liabilities, including regulatory penalties, third-party claims or damages arising from:

- (i) failures or deficiencies in PBAPP's infrastructure or any damage caused to the water supply, where PBAPP is the indemnifying party;
- (ii) failures or deficiencies in the water treatment plant or any damage caused to PBAPP's infrastructure, where the Supplier is the indemnifying party; or
- (iii) the other party's non-compliance with any applicable law.

7. Effect of a change in law

If a change in law occurs that materially and adversely affects the Supplier's ability to supply treated water or materially increases the taxes or cost of the Supplier's performance of its obligations under the Supply Agreement, the Supplier shall:

- (i) be entitled to modify the supply commitments including the Minimum Quantity Commitment or the Confirmed Quantity, impose extraordinary costs or any other reasonable adjustments to ensure continued performance of its obligations under the Supply Agreement;
- (ii) not be liable for any failure, reduction or suspension in the supply of treated water, or for any delays or additional taxes or costs incurred by PBAPP; and
- (iii) have first notified PBAPP of the change in law and its anticipated impact within 30 days from such event. The parties shall engage in discussions to implement the necessary adjustments as mentioned above.

8. Suspension

The Supplier may, at its discretion, suspend, reduce or cease the supply of treated water upon the occurrence of any suspension event (other than those arising from the Supplier's own actions, default, negligence, deficiencies and/or failures), which includes, among others, payment default by PBAPP, non-compliance with permitted usage or agreed supply parameters, matters affecting PBAPP's licence due to PBAPP's act or omissions, regulatory directives or approvals (including from SPAN), community opposition, operational or environmental disruptions, and circumstances where the supply is unsafe or poses a risk to public health.

The suspension, reduction or cessation of supply shall not constitute a breach of the Supply Agreement by the Supplier and shall not relieve PBAPP of its obligation to pay for the water already supplied during the period of reduction. PBAPP shall bear all costs, risk and consequences associated with securing alternative water supplies during any period of suspension or reduction in supply and shall indemnify the Supplier against any third-party claims, regulatory fines or liabilities arising from water supply interruptions caused by environmental or social issues.

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

If the suspension of supply arises due to, among others, community opposition, environmental or operational factors, a force majeure event, conditions on water abstraction, treatment or supply imposed by laws or relevant authorities (which include any situation where there is non-supply of water due to the need to meet Perak's water requirements), or the Supplier's failure to supply that results in liquidated damages becoming payable to PBAPP under the Supply Agreement, or a suspension of supply arising from non-compliance with the applicable water quality standards, and such event continues for more than 3 consecutive months, either party may request a renegotiation of the terms of the Supply Agreement. Nothing in the Supply Agreement restricts the freedom of each party to appeal for mediation by the relevant state governments in Malaysia in the event of persistent suspension.

If the parties fail to reach an agreement after 3 months of renegotiation, either party may terminate the Supply Agreement without liability or further claims against the other, save for any antecedent breach and liabilities (which includes the net present value of the capacity charges for the remainder of the original Supply Period and any outstanding amount payable by PBAPP to the Supplier under the Supply Agreement, subject to a 4% discount rate), by giving not less than 30 days' notice to the other party.

9. Termination

A party may terminate the Supply Agreement if the other party ("**Defaulting Party**") (i) commits an act of insolvency, (ii) is in default of any terms of the Supply Agreement and fails to remedy such default within the applicable remedy period stipulated therein, or (iii) has its licence under the Water Services Industry Act 2006 ("**Licence**") suspended, restricted in scope or not renewed due to such Defaulting Party's act or omission. There is no right for PBAPP to terminate the Supply Agreement for convenience.

9.1 Termination due to PBAPP's default

In the event of termination of the Supply Agreement due to PBAPP's default, PBAPP shall be liable for, among others, all unpaid invoices and any outstanding sums, accrued charges and applicable interest, the unpaid remaining value of all financial or funding arrangements secured for the water treatment plant (as progressively reduced by the capacity charges paid prior to the termination date), demobilisation costs, third-party costs and early termination fees as well as the net loss of future supply charges for the remaining Supply Period based on a supply quantity of 500 MLD (less the net present value of forecasted operating costs and capital replacement associated with such supply charges). The discount rate used to calculate the net present value shall be 4% determined as at the date of termination.

If the termination occurs before the Start Date, PBAPP is liable for all amounts representing the value of completed works in relation to the water treatment plant (together with any capitalised interest, commitment fees or breakage costs incurred in connection with the premature termination of financing arrangements and any other amounts owing to the Supplier), all demobilisation costs, third-party costs and early termination fees arising from the cessation of the Supplier's activities under the Supply Agreement.

9.2 Termination due to Supplier's default

In the event of termination of the Supply Agreement due to the Supplier's default, PBAPP shall be entitled to claim damages at law. If such termination occurs prior to the Start Date, the Supplier shall reimburse PBAPP for all actual and receipted costs reasonably incurred by PBAPP in connection with the construction of the works or systems upgrades undertaken for the receipt of treated water at the delivery point.

SALIENT TERMS OF THE SUPPLY AGREEMENT (CONT'D)

9.3 Termination due to non-renewal of Licence through no fault of either party

The Supply Agreement shall be deemed terminated if either party's Licence is not renewed through no fault of that party, whereupon neither party shall have any claim against the other for any losses, damages or compensation arising from such termination.

10. Limitation of liability

The Supplier's total liability under the Supply Agreement shall not exceed an amount equal to the total bulk supply charges paid by PBAPP based on the invoice for the preceding contract year (or part thereof), and its liability for any deviation from water quality standards shall be limited to the payment of liquidated damages in accordance with the Supply Agreement.

Neither party shall be liable to the other for any loss of use, profit, revenue, production, business interruption, or any indirect or consequential loss or damage arising out of or in connection with the Supply Agreement.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



KPMG PLT
 (LLP0010081-LCA & AF 0758)
 Chartered Accountants
 Level 18, Hunza Tower
 163E, Jalan Kelawei
 10250 Penang, Malaysia

Telephone +60 (4) 375 1800
 Fax +60 (4) 238 2222
 Website www.kpmg.com.my

Private and Confidential

The Board of Directors
PBA Holdings Bhd
 Level 32, KOMTAR
 Penang Road
 10000 George Town
 Pulau Pinang

20 October 2026

Dear Sir/Madam,

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")

Report on the compilation of pro forma consolidated statement of financial position for inclusion in the Company's circular to shareholders in connection with the proposed purchase of treated water by Perbadanan Bekalan Air Pulau Pinang Sdn Bhd ("PBAPP"), a wholly-owned subsidiary of PBAHB, under the Northern Perak Water Supply Scheme, for onward supply to the State of Penang ("Proposed Bulk Water Purchase") ("Circular")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of the Company as at 31 December 2025 ("Pro Forma Financial Position"). The Pro Forma Financial Position and the related notes as set out in Attachment A, have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of the Company (the "Directors") has compiled the Pro Forma Financial Position are described in the related notes.

The Pro Forma Financial Position, together with the related notes as set out in Attachment A, has been compiled by the Directors for inclusion in the Circular solely to illustrate the impact of the event or transaction as set out in the notes of Attachment A on the Company's consolidated statement of financial position as at 31 December 2025, as if the event or transaction had taken place on 31 December 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the audited consolidated financial statements of the Company for the financial year ended 31 December 2025, on which an audit report dated 23 April 2026 has been issued.

Directors' Responsibility for the Pro Forma Financial Position

The Directors are responsible for compiling the Pro Forma Financial Position on the basis described in the notes of Attachment A.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



PBA Holdings Bhd ("PBAHB" or the "Company")
Report on the compilation of pro forma consolidated statement
of financial position for inclusion in the Circular
in connection with the Proposed Bulk Water Purchase
20 October 2026

Reporting Accountants' Quality Management and Independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the Pro Forma Financial Position has been compiled, in all material respects, by the Directors on the basis described in the notes of Attachment A.

We conducted our engagement in accordance with Malaysian Approved Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Financial Position on the basis described in the notes of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Position.

The purpose of the Pro Forma Financial Position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Position.

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

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



PBA Holdings Bhd ("PBAHB" or the "Company")
Report on the compilation of pro forma consolidated statement
of financial position for inclusion in the Circular
in connection with the Proposed Bulk Water Purchase
20 October 2026

Opinion

In our opinion, the Pro Forma Financial Position has been compiled, in all material respects, on the basis described in the notes of Attachment A.

Emphasis of Matter

We draw attention to Note 2 of Attachment A on the "Pro Forma I – Proposed Bulk Water Purchase", which states that no pro forma adjustment has been made in relation to the Proposed Bulk Water Purchase over the Supply Period, as the financial effects thereof are expected to arise only upon the fulfilment of all the conditions (i.e. conditions precedent and conditions for the Start Date) under the Supply Agreement for the commencement of supply of treated water on the Start Date. In addition, the actual supply of treated water is dependent on future events and circumstances that are not capable of objective determination at this stage.

The future financial effects of the Proposed Bulk Water Purchase, including the bulk water supply charges payable by PBAPP and the extent to which such costs may be recoverable through future water tariffs, would depend on various factors that cannot be factually supported at this juncture. These factors include, among others, future water demand, actual off-take volumes, tariff approvals by Suruhanjaya Perkhidmatan Air Negara, and the operation of cost adjustment mechanisms under the Supply Agreement.

Accordingly, the resulting financial effects of the Proposed Bulk Water Purchase cannot be reliably quantified at this stage and have not been reflected in the Pro Forma Financial Position. Any adjustment to the financial effects of the Proposed Bulk Water Purchase may have an impact on the net assets of the Group. Our opinion is not modified in respect of this matter.

Other Matter

Our report on the Pro Forma Financial Position has been prepared for inclusion in the Circular and should not be relied upon for any other purposes.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Raymond Chong Chee Mon
Approval number: 03272/06/2028 J
Chartered Accountant

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Consolidated Statement of Financial Position as at 31 December 2025

The pro forma consolidated statement of financial position of PBA Holdings Bhd ("PBAHB") as at 31 December 2025 ("Pro Forma Financial Position") as set out below has been prepared for illustrative purposes only to show the effect and transaction referred to in Note 2 had this transaction been effected on 31 December 2025, and should be read in conjunction with the said notes to the Pro Forma Financial Position.

	Note	As at 31 December 2025 ⁽¹⁾ RM'000	Pro Forma I After the Proposed Bulk Water Purchase RM'000
Assets			
Property, plant and equipment		1,314,970	1,314,970
Right-of-use assets		135,510	135,510
Other receivables		127,089	127,089
Total non-current assets		1,577,569	1,577,569
Current assets			
Inventories		15,923	15,923
Trade and other receivables		105,763	105,763
Current tax assets		4,773	4,773
Cash and cash equivalents	3(a)	547,123	545,784
Total current assets		673,582	672,243
Total assets		2,251,151	2,249,812
Equity			
Share capital		327,579	327,579
Reserves	3(b)	838,760	837,421
Total equity		1,166,339	1,165,000
Non-current liabilities			
Loans and borrowings		316,355	316,355
Lease liabilities		207,090	207,090
Deferred income		70,919	70,919
Deferred tax liabilities		155,500	155,500
Total non-current liabilities		749,864	749,864
Current liabilities			
Loans and borrowings		1,142	1,142
Lease liabilities		4,757	4,757
Trade and other payables		295,907	295,907
Contract liabilities		33,142	33,142
		334,948	334,948
Total liabilities		1,084,812	1,084,812
Total equity and liabilities		2,251,151	2,249,812

(1) Extracted from the audited consolidated financial statements of PBAHB for the financial year ended 31 December 2025



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

Pro Forma Financial Position (continued)

Supplementary information

	As at 31 December 2025	Pro Forma I After Proposed Bulk Water Purchase
Number of ordinary shares in issue (excluding treasury shares) ('000) ⁽¹⁾	330,994	330,994
Net assets ("NA") per share (RM) ⁽²⁾	3.5	3.5
Total borrowings	529,344	529,344
Gearing ratio ⁽³⁾ (times)	0.5	0.5

Notes:

- (1) Extracted from the audited consolidated financial statements of PBAHB for the financial year ended 31 December 2025
- (2) Computed based on total equity or NA divided by total number of ordinary shares in issue (excluding treasury shares)
- (3) Computed as total borrowings divided by total equity or NA



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

Notes to the Pro Forma Financial Position

The Pro Forma Financial Position has been prepared for illustrative purposes only for the purpose of inclusion in the Circular and should not be relied upon for any other purposes.

1. Basis of preparation

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Position are as described below. The Pro Forma Financial Position is prepared in accordance with the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Guidance Note for Issuers of Pro Forma Financial Information issued by Malaysian Institute of Accountants.

The Pro Forma Financial Position has been prepared based on the audited consolidated financial statements of PBAHB for the financial year ended 31 December 2025, which were prepared in accordance with Malaysian Financial Reporting Standard (MFRS) Accounting Standards as issued by the Malaysian Accounting Standards Board and International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board, and in a manner consistent with the format of the statement of financial position and the accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 2.

The pro forma adjustments are appropriate for the purpose of preparing the Pro Forma Financial Position.

The auditors' report dated 23 April 2026 on the audited consolidated financial statements of PBAHB for the financial year ended 31 December 2025 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Financial Position is not necessarily indicative of the financial position that would be attained had the Proposed Bulk Water Purchase actually occurred at the completion date. The Pro Forma Financial Position has been prepared for illustrative purposes only.

(The rest of this page has been intentionally left blank)



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Financial Position

The Pro Forma Financial Position illustrates the effects of the following event or transaction:

Pro Forma I – Proposed Bulk Water Purchase

On 15 July 2026, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), a wholly-owned subsidiary of PBAHB entered into a conditional Bulk Water Supply Agreement ("Supply Agreement") with Prasarana Air dan Irigasi Perak Sdn. Bhd. ("PAIP"), a wholly-owned subsidiary of Khazanah Air Perak Sdn. Bhd. ("KAP"), for the purchase of treated water from the State Government of Perak over a 40 year period commencing 2032 ("Supply Period").

The Proposed Bulk Water Purchase entails the purchase by PBAPP of a minimum quantity of 300 million litres per day ("MLD") of treated water ("Supply Quantity") from PAIP, under the Northern Perak Water Supply Scheme ("NPWSS"), for onward supply to the State of Penang. Subject to mutually agreed terms between the parties and the prior written approval of the State Government of Perak, PBAPP shall have a right of first refusal to extend the Supply Period and an option to request for an increase in the Supply Quantity up to 500 MLD of treated water after taking into account Penang's additional water supply requirements as demand grows.

The completion of the Supply Agreement is subject to the fulfilment of the following Conditions Precedent:

- (i) the registration of the Supply Agreement with Suruhanjaya Perkhidmatan Air Negara ("SPAN") in accordance with Rule 2(1) of the Water Services Industry (Bulk Water Supply Agreement) Rules 2015, to be procured any time before the Start Date (as defined below);
- (ii) the approval of the shareholders of PBAHB for the Proposed Bulk Water Purchase, to be obtained no later than 30 November 2026; and
- (iii) the execution of an agreement between the State Government of Perak and KAP by 30 November 2026, granting KAP and its group of companies the mandate or authorisation to implement the NPWSS, including the Proposed Bulk Water Purchase (which was satisfied on 20 October 2026).

Subject to Conditions Precedent being satisfied on or before 30 November 2026, PAIP shall commence the supply and delivery of treated water on the 31 March 2032 ("Start Date") in accordance with the terms of the Supply Agreement for the Supply Period, provided the following conditions ("conditions for the Start Date") are satisfied:

- (i) the timely completion and commissioning of the works, infrastructure and systems for the abstraction, collection, transmission and delivery of raw water from the Sungai Perak River to the Bukit Merah Dam as well as from any alternative or additional source locations, and the completion and commissioning of the 500 MLD capacity water treatment plant ("Water Treatment Plant");
- (ii) the availability of adequate raw water quantity at the Water Treatment Plant;
- (iii) the parties having jointly procured written confirmation from SPAN, in any form reasonably satisfactory to both parties, that the Bulk Water Supply Charges are allowable and recoverable from PBAPP's end-consumers under PBAPP's tariff-setting mechanism; and



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

- (iv) the receipt of all necessary approvals issued by the responsible authorities for the performance of their respective obligations under the Supply Agreement, including those required under the Water Services Industry Act 2006.

In the event that any of the conditions for the Start Date remain unsatisfied on or before 1 January 2035, PBAPP may elect to either agree with PAIP to extend the Start Date, or permit the Supply Agreement to lapse, and neither party shall have any claim, against the other, save for any antecedent breach of the Supply Agreement.

No pro forma adjustment in relation to the Proposed Bulk Water Purchase over the Supply Period has been made in the Pro Forma Financial Position as the financial effects thereof are expected to arise only upon fulfilment of all the conditions (i.e. conditions precedent and conditions for the Start Date) under the Supply Agreement for the commencement of supply of treated water on the Start Date. In addition, the actual supply of treated water is dependent on future events and circumstances that are not capable of objective determination at this stage.

The future financial effects of the Proposed Bulk Water Purchase, including the bulk water supply charges payable by PBAPP and the extent to which such costs may be recoverable through future water tariffs, would depend on various factors that cannot be factually supported at this juncture. These factors include, among others, future water demand, actual off-take volumes, tariff approvals by SPAN, and the operation of cost adjustment mechanisms under the Supply Agreement.

Accordingly, the resulting financial effects cannot be reliably quantified at this stage and have not been reflected in the Pro Forma Financial Position.



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

2. Pro forma adjustments to the Pro Forma Financial Position (continued)

Pro Forma I – Proposed Bulk Water Purchase (continued)

Estimated expenses for the Proposed Bulk Water Purchase

The estimated expenses relating to the Proposed Bulk Water Purchase of approximately RM1.3 million will be charged to profit or loss of the Group and is assumed to be settled in cash. The estimated expenses in relation to the Proposed Bulk Water Purchase comprise the following:

	RM'000
Professional fees	1,181
Fees payable to the relevant authorities	50
Cost of convening the Extraordinary General Meeting	108
	<u>1,339</u>

(The rest of this page has been intentionally left blank)



PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF PBAHB AS AT 31 DECEMBER 2025 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment A

PBA Holdings Bhd ("PBAHB" or the "Company") and its subsidiaries (collectively, the "Group")
Pro Forma Financial Position and the notes thereon

3. Effects on the Pro Forma Financial Position

(a) Movement in cash and cash equivalents

	RM'000
Balance as at 31 December 2025	547,123
Effects of Pro Forma I	
– Payment of estimated expenses for the Proposed Bulk Water Purchase	(1,339)
Pro Forma I	<u>545,784</u>

(b) Movement in reserves

	RM'000
Balance as at 31 December 2025	838,760
Effects of Pro Forma I	
– Estimated expenses for the Proposed Bulk Water Purchase charged to profit or loss	(1,339)
Pro Forma I	<u>837,421</u>

(The rest of this page has been intentionally left blank)



FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and it collectively and individually accepts full responsibility for the accuracy of the information given in this Circular and confirms that, after having made all reasonable enquiries and to the best of its knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the Consortium in this Circular was obtained from publicly available sources. Our Board's responsibility regarding such information is limited to ensuring that it has been accurately reproduced in this Circular.

2. CONSENTS AND CONFLICTS OF INTEREST**2.1 RHB Investment Bank**

RHB Investment Bank, being our Principal Adviser for the Proposed Bulk Water Purchase, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

RHB Investment Bank is not aware of any existing or potential conflict of interest or any circumstance which would give rise to a conflict of interest by virtue of its role as the Principal Adviser for the Proposed Bulk Water Purchase.

2.2 KPMG PLT

KPMG PLT, being the Reporting Accountants for the Proposed Bulk Water Purchase, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the pro forma consolidated statements of financial position of our Company as at 31 December 2025 together with the Reporting Accountants' letter, and all references thereto in the form and context in which they appear in this Circular.

KPMG PLT has confirmed that no conflict of interest exists or is likely to exist in its capacity as the Reporting Accountants for the Proposed Bulk Water Purchase.

3. MATERIAL COMMITMENTS

Save as disclosed below, as at 30 June 2026, there are no other material commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on our profits or NA:

	<u>RM'000</u>
Approved capital expenditure:	
- Contracted but not provided for	510,000
- Authorised but not contracted for	19,000
Total	<u>529,000</u>

4. CONTINGENT LIABILITIES

As at 30 June 2026, there are no contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material impact on our profits or NA.

FURTHER INFORMATION (CONT'D)

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, we are not involved in any other material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against us or of any facts likely to give rise to any proceedings which might materially and adversely affect our business or financial position:

(i) Penang High Court Civil Suit No. PA-22C-1-05/2026

Pursuant to a letter of acceptance dated 11 October 2007, Impian Mawar Sdn Bhd ("**Impian Mawar**") was appointed by PBAPP to carry out earthworks for the extraction and reduction of rock levels for a reservoir in Seberang Perai, Pulau Pinang. The original completion date for the earthworks was 30 November 2012. However, despite several extensions of time granted by PBAPP totalling 93 months, thereby extending the completion date to 31 August 2020, Impian Mawar had only achieved 69% completion of the works.

On 6 November 2020, PBAPP issued to Impian Mawar a notice of intention to impose liquidated and ascertained damages. This was followed by a certificate of non-completion dated 16 November 2020, a notice of purpose of determination dated 23 November 2020, and a notice of termination of the defendant's employment dated 8 December 2020.

On 13 May 2026, PBAPP (as plaintiff) filed a statement of claim against Impian Mawar (as defendant) for breach of contract and negligence arising from Impian Mawar's failure to complete the earthworks for the reservoir under the construction contract ("**Claim**"). PBAPP is claiming, among others, an estimated amount of approximately RM400.0 million (representing completion and replacement costs, subject to verification and expert evidence or valuation), liquidated and ascertained damages at the rate of RM3,000 per day, and any general damages, aggravated damages, exemplary damages and/or punitive damages, interests and costs.

Subsequently, on 28 July 2026, Impian Mawar filed a counterclaim against PBAPP for approximately RM68.0 million ("**Counterclaim**"). The Counterclaim is principally premised on the allegations that PBAPP failed to consider Impian Mawar's application for an extension of time before issuing the termination notices, and the termination notices issued by PBAPP did not comply with the procedural requirements under the construction contract.

PBAPP's solicitors are of the view that PBAPP has reasonably strong prospects of succeeding in the Claim in light of Impian Mawar's failure to complete the works despite having been granted several extensions of time. In respect of the Counterclaim, PBAPP's solicitors are of the view that PBAPP has reasonable prospects of successfully defending the Counterclaim, subject to the Court's findings at trial, particularly in relation to expert evidence concerning the extensions of time and compliance with the relevant contractual procedures.

PBAPP filed its reply to the defence in respect of the Claim and its defence to the Counterclaim on 20 August 2026. Impian Mawar subsequently filed its reply to PBAPP's defence to the Counterclaim on 15 September 2026. As at the LPD, no hearing or trial dates have been fixed.

FURTHER INFORMATION (CONT'D)

(ii) Penang High Court Civil Suit No. PA-22NCvC-34-03/2026

On 19 September 2024, PBAPP discovered that its water pipe adjacent to a bridge at Jalan Permatang Pauh, Seberang Perai Tengah, Pulau Pinang had been damaged.

Following such discovery, PBAPP had to undertake repair and reinstatement works in respect of the pipe, which were completed on 6 October 2024. The damage to the pipe had caused operational disruptions and water losses. To maintain water supply continuity in Seberang Perai, PBAPP implemented temporary control measures, including the mobilisation of water tankers and the ad hoc installation of pumps at strategic locations.

On 3 March 2026, PBAPP (as plaintiff) commenced legal proceedings against the defendants, namely Excel Focus Properties Sdn Bhd (“**EFPSB**”) and Golden Village Properties Sdn Bhd (“**GVPSB**”) (as co-developers) and Viewplex (M) Sdn Bhd (“**VMSB**”) (as the independent contractor appointed by EFPSB and GVPSB) due to their works pertaining to the installation of electricity cable and horizontal directional drilling works around the locality which PBAPP claimed has caused damage to the pipe. PBAPP is claiming against the defendants, jointly and/or severally, special damages of approximately RM5.2 million for costs and expenses incurred in connection with the repair and reinstatement works for the pipe and separately general damages, aggravated damages, exemplary damages, interests and costs.

Alternatively, if EFPSB and GVPSB were held not to be vicariously liable for the actions and/or omissions of VMSB, PBAPP is claiming the abovementioned same reliefs against VMSB solely in this matter.

PBAPP’s solicitors are of the view that PBAPP has a fair and reasonable prospect of succeeding in the claim against the defendants subject to, among others, the evidence and supporting documents adduced at trial, the performance of the witnesses and the Court’s consideration of the applicable legal precedents.

On 4 August 2026, the solicitors of GVPSB served a notice seeking directions from the Court in relation to the pleadings between the defendants and the liability of EFPSB and VMSB to indemnify or contribute to GVPSB in the event GVPSB is found liable to PBAPP. The solicitors of GVPSB also served a notice seeking contribution and indemnity from EFPSB and VMSB. Further, VMSB had filed a notice seeking for, among others, contribution and/or indemnity against EFPSB and GVPSB but as at the LPD, the said notice from VMSB had not been served on PBAPP’s solicitors. These matters will be heard together with the trial of the proceedings.

The case management for pre-trial compliance was held on 27 August 2026 and adjourned to 16 November 2026 to enable the parties to update the Court following the mediation scheduled for 5 November 2026. As at the LPD, the proceedings are ongoing and no judgment or final determination has been made by the Court.

FURTHER INFORMATION (CONT'D)

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia during normal office hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of our EGM:

- (i) our Constitution;
- (ii) our audited consolidated financial statements for the past 2 FYE 2024 and 2025, as well as our latest unaudited consolidated financial statements for the 6-month financial period ended 30 June 2026;
- (iii) the pro forma consolidated statement of financial position of our Company as at 31 December 2025 together with the Reporting Accountants' letter thereon referred to in Appendix II of this Circular;
- (iv) the letters of consent and conflict of interest referred to in Section 2 of this Appendix;
- (v) the cause papers in respect of the material litigations referred to in Section 5 of this Appendix;
- (vi) the Supply Agreement; and
- (vii) the BOT Agreement and the agreed form of the BWS Agreement referred to in Section 9 of this Circular.



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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of PBA Holdings Bhd (“**PBAHB**” or the “**Company**”) will be held at St. Giles Wembley Penang Hotel, 183, Magazine Road, 10300 George Town, Pulau Pinang, Malaysia on Thursday, 12 November 2026 at 2:30 p.m. or at any adjournment of the EGM, for the purpose of considering and, if thought fit, passing the following ordinary resolution with or without any modifications:

ORDINARY RESOLUTION

PROPOSED PURCHASE OF TREATED WATER BY PERBADANAN BEKALAN AIR PULAU PINANG SDN BHD (“PBAPP”), A WHOLLY-OWNED SUBSIDIARY OF PBAHB, UNDER THE NORTHERN PERAK WATER SUPPLY SCHEME, FOR ONWARD SUPPLY TO THE STATE OF PENANG (“PROPOSED BULK WATER PURCHASE”)

“**THAT** subject to the approvals of all relevant authorities and/or parties (where required) being obtained, approval be and is hereby given for PBAPP to purchase treated water under the Northern Perak Water Supply Scheme for onward supply to the State of Penang, pursuant to the terms and conditions of the bulk water supply agreement dated 15 July 2026 in relation to the Proposed Bulk Water Purchase entered into between PBAPP and Prasarana Air dan Irigasi Perak Sdn Bhd, a wholly-owned subsidiary of Khazanah Air Perak Sdn Bhd, which in turn is a private limited company incorporated by a consortium comprising Perbadanan Kemajuan Negeri Perak and Gamuda Berhad;

THAT the Board of Directors of PBAHB (“**Board**”) be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign and deliver or cause to be executed, signed and delivered on behalf of the Company and/or PBAPP, all such documents and/or agreements as the Board may consider necessary, desirable or expedient, to give full effect to and complete the Proposed Bulk Water Purchase;

AND THAT the Board be and is hereby authorised with full power to agree, accept or make, any conditions, modifications, revaluations, variations and/or amendments (if any), in any manner as may be required or imposed by the relevant authorities from time to time or as the Board may in its discretion, consider necessary, desirable or expedient in the best interests of the Company and PBAPP, including the execution of any supplemental, ancillary or consequential agreement(s), and to take all such steps and do all such acts as may be necessary or expedient to implement, finalise and give full effect to the Proposed Bulk Water Purchase.”

By Order of the Board,

CHUA SIEW CHUAN (MAICSA 0777689) (SSM PC No. 201908002648)
LOW SEOW WEI (MAICSA 7053500) (SSM PC No. 202008000437)
Company Secretaries

Dated: 27 October 2026
Pulau Pinang

Notes:

- (1) In respect of deposited securities, only members whose names appear on the Record of Depositors as at **3 November 2026** (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the EGM of the Company or to appoint proxy or proxies to attend, speak and vote on his/her/their behalf.
- (2) A member entitled to participate, speak and vote at the EGM of the Company may appoint not more than 2 proxies or the Chairman as his/her/their proxy to participate, speak and vote in his/her/their stead, by indicating the voting instruction in the Form of Proxy:
 - (a) a proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy;
 - (b) where a member appoints more than 1 proxy, the appointment shall be invalid unless the member specifies the proportion of his/her/their shareholdings to be represented by each proxy; and
 - (c) a proxy appointed by the member shall have the same rights as the member to participate, speak, and vote at the EGM.
- (3) In the case of a corporate member, the instrument appointing a proxy shall be in writing and must be either under its common seal or under the hand of its officer or attorney duly authorised.
- (4) Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account which is credited with ordinary shares of the Company.
- (5) Where a member is an exempt authorised nominee ("**EAN**") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- (6) Where an authorised nominee or EAN appoints more than 1 proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
- (7) The instrument appointing a proxy/proxies may be made in hardcopy form or by electronic means as follows:
 - (i) In hard copy form
The Form of Proxy shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia.
 - (ii) By electronic means
The Form of Proxy may also be lodged electronically via email at infopbahb@pba.com.my.
- (8) All instruments appointing a proxy or representative and the duly registered power of attorney or other authority (if any), must be received by the Share Registrar of the Company not less than 48 hours before the time set for holding the EGM or any adjournments thereof.

- (9) A member is not precluded from attending the EGM in person after lodging the instrument of proxy. If you have submitted your instrument appointing a proxy prior to the EGM and subsequently wish to revoke your proxy appointment(s), you may deposit a written notice of termination of proxy authority in the following manners not less than 48 hours before the time set for holding the EGM or any adjournments thereof:
- (i) In hard copy form
The written notice shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia.
 - (ii) By electronic means
The written notice may also be lodged electronically via email at infopbahb@pba.com.my.
- (10) Any alteration to the instrument appointing a proxy must be initialled. The Company shall be entitled to reject an instrument of proxy that is incomplete, improperly completed, illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company:

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

FORM OF PROXY

No. of shares held:	
CDS Account No.:	

*I/We _____ (Full Name in Capital Letters) (Tel:) _____ (please provide contact number for better coordination)
NRIC/Passport/
Company
Registration No.: _____

of _____
(Full Address in Capital Letters)

being a member/members of PBA Holdings Bhd ("PBAHB" or the "Company") hereby appoint the following person(s): -

First Proxy			
Full Name in Capital Letters	NRIC/Passport No.	Percentage of Shareholdings Represented	
		No. of Shares	%
Telephone no.:			

* and/or (if more than 1 proxy)

Second Proxy			
Full Name in Capital Letters	NRIC/Passport No.	Percentage of Shareholdings Represented	
		No. of Shares	%
Telephone no.:			

or failing *him/her, the Chairman of the Meeting, as *my/our proxy(ies) to attend and vote in *my/our name(s) on *my/our behalf at the Extraordinary General Meeting ("EGM") of PBAHB to be held at St. Giles Wembley Penang Hotel, 183, Magazine Road, 10300 George Town, Pulau Pinang, Malaysia on Thursday, 12 November 2026 at 2:30 p.m. or at any adjournment thereof.

* My/our proxy is to vote on the resolution referred to in the Notice of the EGM as indicated below: -

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Bulk Water Purchase		

* Strike out whichever not applicable.

(Please indicate with an "X" in the appropriate box how you wish your proxy(ies) to vote. If no instruction is given, the proxy(ies) will vote or abstain at his/her/their discretion.)

Note : Please note that the short descriptions given above of the Resolution to be passed do not in any way whatsoever reflect the intent and purpose of the Resolution. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of the EGM for the full purpose and intent of the Resolution to be passed.

Dated this _____ day of _____ 2026

Signature of Shareholder/Common Seal

Notes:

- (1) In respect of deposited securities, only members whose names appear on the Record of Depositors as at **3 November 2026** (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the EGM of the Company or to appoint proxy or proxies to attend, speak and vote on his/her/their behalf.
- (2) A member entitled to participate, speak and vote at the EGM of the Company may appoint not more than 2 proxies or the Chairman as his/her/their proxy to participate, speak and vote in his/her/their stead, by indicating the voting instruction in the Form of Proxy:
 - (a) a proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy;
 - (b) where a member appoints more than 1 proxy, the appointment shall be invalid unless the member specifies the proportion of his/her/their shareholdings to be represented by each proxy; and
 - (c) a proxy appointed by the member shall have the same rights as the member to participate, speak, and vote at the EGM.
- (3) In the case of a corporate member, the instrument appointing a proxy shall be in writing and must be either under its common seal or under the hand of its officer or attorney duly authorised.
- (4) Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy but not more than 2 proxies in respect of each securities account which is credited with ordinary shares of the Company.
- (5) Where a member is an exempt authorised nominee ("**EAN**") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- (6) Where an authorised nominee or EAN appoints more than 1 proxy, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

Then fold here

AFFIX
STAMP

The Company Secretaries
PBA HOLDINGS BHD
(Registration No. 200001012513 (515119-U))
(Incorporated in Malaysia)

Level 32, KOMTAR
Penang Road
10000 George Town
Pulau Pinang
Malaysia

1st fold here

- (7) The instrument appointing a proxy/proxies may be made in hardcopy form or by electronic means as follows:
 - (i) In hard copy form
The Form of Proxy shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia.
 - (ii) By electronic means
The Form of Proxy may also be lodged electronically via email at infopbahb@pba.com.my.
- (8) All instruments appointing a proxy or representative and the duly registered power of attorney or other authority (if any), must be received by the Share Registrar of the Company not less than 48 hours before the time set for holding the EGM or any adjournments thereof.
- (9) A member is not precluded from attending the EGM in person after lodging the instrument of proxy. If you have submitted your instrument appointing a proxy prior to the EGM and subsequently wish to revoke your proxy appointment(s), you may deposit a written notice of termination of proxy authority in the following manners not less than 48 hours before the time set for holding the EGM or any adjournments thereof:
 - (i) In hard copy form
The written notice shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Penang Road, 10000 George Town, Pulau Pinang, Malaysia.
 - (ii) By electronic means
The written notice may also be lodged electronically via email at infopbahb@pba.com.my.
- (10) Any alteration to the instrument appointing a proxy must be initialled. The Company shall be entitled to reject an instrument of proxy that is incomplete, improperly completed, illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy.

Personal data privacy:

By submitting the duly executed proxy form, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the EGM of the Company and any adjournment thereof.