

22.6.2021

MEDIA RELEASE BY  
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## **PAT OF RM24.76 MILLION AND FINAL DIVIDEND OF 1 SEN PER SHARE**

- **Achieved a PAT of RM24.76 million even in the midst of the Covid-19 global pandemic and MCOs in 2020.**

PENANG, Tuesday, 22.6.2021: PBA HOLDINGS BHD (PBAHB) recorded a profit after tax (PAT) of RM24.76 million for its 2020 financial year and will reward shareholders with a final dividend.

Its 21<sup>st</sup> Annual General Meeting (AGM) was conducted on a fully virtual basis, in compliance with Malaysia's extension of the "Movement Control Order 3.0" (MCO 3.0), from 15.6.2021 to 28.6.2021.

During the fully virtual AGM, shareholders approved the declaration of a single tier final dividend of 1 sen per share for the financial year 2020, to be paid no later than 3 months from the date of approval.

As such, 2021 marks the 20<sup>th</sup> consecutive year in which PBAHB (Stock Reference: PBA – 5041) pays dividends to shareholders. The company has paid dividends every year since 2002.

### **Higher domestic but lower trade consumption in 2020**

PBAHB's operational revenue is primarily generated from the sale of treated water in Penang by its main subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP). PBAHB's total revenue was RM336.3 million in 2020, as compared to RM340.2 million in 2019.

This 1.1% decrease in total revenue year-on-year reflects a sideways shift in water consumption, following the imposition of successive MCOs in Malaysia and a resultant wider spread "work from home" (WFH) culture in Penang in 2020.

Total water consumption in Penang was recorded at 309,224,456 cubic meters in 2020. This volume of consumption is 0.55% higher than 307,532,394 cubic meters in 2019.

However, while domestic water consumption increased by 6.77% year-on-year, trade consumption decreased by 8.51%.

Within Penang's existing water tariff structure, domestic tariffs are significantly lower than trade tariffs. For example, domestic consumers in Penang pay an average of RM0.32 per 1,000 litres for the first 35,000 litres per month while trade consumers pay an average of RM1.36 per 1,000 litres for the first 500,000 litres per month.

In short, PBAPP was compelled to bill less for marginally higher water consumption in Penang in 2020. Accordingly, PBAHB's profit after tax (PAT) was RM24.76 million in 2020, as compared to RM25.15 million in 2019.

## **Future prospects**

PBAHB's future prospects are linked to the following key factors:

### **1. Federal Government approval for a 2019 water tariff review proposal submitted by PBAPP**

PBAPP is awaiting Federal Government approval for a 2019 water tariff review application submitted by PBAPP to the National Water Services Commission (SPAN), at the behest of SPAN.

This tariff review application was drafted in accordance to SPAN's Tariff Setting Mechanism (TSM) formula. It is subject to endorsement by SPAN and recommendation by Ministry of Environment and Water (KASA) for approval by the Malaysian Cabinet. As such, the Federal Government is the authority which will determine the timing and implementation of new water tariffs in Penang.

PBAPP is not the only Malaysian water operator which was compelled to submit a water tariff review proposal to SPAN recently. SPAN has conducted public consultation exercises for other proposed water tariff reviews in Kelantan, Terengganu, Pahang, Selangor, FT Labuan, Kedah, Perak, Melaka, Negri Sembilan and Johor, in the period 2019 to 2021.

The primary objective for PBAPP's tariff review application is to raise sufficient funds for its proposed water supply projects to mitigate Penang's raw water risks and address its future water demand.

PBAPP's proposed key water supply projects in the period 2021 to 2024 include:

- Phase 1 of the Sungai Kerian Water Treatment Plant (250 MLD) to treat raw water from the Sungai Perak Raw Water Transfer Scheme (SPRWTS);
- Package 12A of the Sungai Dua Water Treatment Plant (114MLD);
- The Sungai Perai Water Supply Scheme (136 MLD); and
- Phase 1 of the Penang Desalination Water Supply Scheme (250 MLD).

Without a tariff review, PBAPP will not be able to raise sufficient funds to undertake these projects. While these projects will cost hundreds of millions of ringgit, the PAT for PBAHB amounted to RM24.76 million in 2020.

## **2. Malaysia's Covid-19 mass vaccination programme**

The Federal Government has projected that free vaccinations for 82% of Malaysia's population will be completed by February 2022. The majority of people must be vaccinated to keep the pandemic at bay. Only when the Penang community feels safe again will we see a resurgence of socioeconomic activities in the era of the "new normal".

## **3. Economic recovery projection**

According to a 17.12.2020 World Bank press release ("World Bank Malaysia Economic Monitor: Sowing the Seeds"), Malaysia's economy is expected to grow by 6.7% in 2021, following a projected contraction of 5.8% in 2020 due to the Covid-19 pandemic.

The report expects Malaysia to return to its pre-pandemic economic trend “at a modest pace over the medium term”. As one of the “6 main states” that contributed to Malaysia’s GDP in 2019, Penang’s economic prospects should run parallel to the national trend.

#### **4. Population growth and water consumption trends:**

Over the past 20 years, Penang’s population grew by 44.3%, from 1.23 million people in 2001 to 1.776 million people in 2020. Total water consumption increased by 43.5%, from 589 million litres per day (MLD) in 2001 to 845 MLD in 2020.

Domestic consumption accounted for 62.9% of total water consumption in Penang in 2020.

While water demand will increase in tandem with population growth, there is an urgent need to address the issue of high per capita domestic consumption. In 2020, Penang’s per capita domestic consumption was 299 litres/capita/day (LCD), as compared to the national average of 240 LCD.

High domestic consumption is directly related to low domestic tariffs. Penang’s average domestic tariff for the first 35,000 litres of domestic consumption per month is the lowest in Malaysia, at RM0.32 per 1,000 litres as compared to the national average of RM0.71 per 1,000 litres.

In other words, Penang’s per capita domestic water consumption was 24.6% higher than the national average because its average domestic water tariff for the first 35,000 litres per month was 54.9% lower than the national average.

Meanwhile, PBAPP’s domestic water subsidy to sustain low domestic water tariffs amounted to RM95.35 million in 2020, while PBAHB’s PAT was RM24.76 million.

As such, PBAPP is seeking a water tariff review for 2 practical reasons:

- Promoting water saving in place of water wastage; and
- Reducing PBAPP’s domestic water subsidy so that it may have sufficient funds to invest in important water supply projects to

mitigate Penang's raw water risks and address its future water demand.

In summary, PBAHB's future prospects are linked to external factors that are beyond its control, such as the Covid-19 global pandemic and Federal Government approval for a water tariff review.

Nevertheless, it should be noted that PBAHB scored a creditable financial performance in 2020 and continued to reward its shareholders.

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