

20.6.2022

Media Release 1:

PBA Holdings Bhd (PBAHB) 22nd Annual General Meeting

PBAHB REPORTS PAT OF RM36.74 MILLION AND DECLARES FINAL DIVIDEND OF 1 SEN PER SHARE

YAB TUAN CHOW KON YEOW,
Chairman, PBAHB and PBAPP, and Chief Minister of Penang.

- **48.4% increase in profit after tax (PAT) year-on-year due to deferred tax benefits.**

PENANG, Monday, 20.6.2022: PBA HOLDINGS BHD (PBAHB) recorded a profit after tax (PAT) of RM36.74 million for its 2021 financial year.

The increase in PAT amounted to RM11.98 million, or 48.4%, year-on-year. For the 2020 financial year, PBAHB had reported a PAT of RM24.76 million.

The higher PAT recorded in 2021 is primarily due to a deferred tax benefit of about RM9.0 million earned by Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP). It is related to the utilisation of unabsorbed “reinvestment allowances” (RA) of about RM78.0 million in 2021, as compared to about RM12.0 million in 2020.

On 27.2.2020, the Federal Government announced the “Economic Stimulus Package” (under P.U.(A) 268) where companies are eligible to claim “Accelerated Capital Allowance” comprising of Initial Allowance (20%) and Annual Allowance (40%) on the Capital Expenditure incurred for Machinery & Equipment including Information & Technology (ICT) equipment from 1.3.2020 – 31.12.2020 by the business.

Pursuant to the Inland Revenue Board (IRB) ruling, PBAPP will have exhausted its “unabsorbed capital allowance” carried forward within the next few years, resulting in an increase in the utilisation of unabsorbed RA.

In short, PBAHB is reporting a higher PAT for 2021 mainly due to the recognition of deferred tax benefits realisable in future years.

21st Consecutive Year of Paying Dividends

2022 marks the 21st consecutive year in which PBAHB will pay dividends. PBAHB has been paying dividends annually since 2002.

During the company's online AGM today, a final single tier dividend of 1 sen per share was approved for 7,942 shareholders. The total payout will amount to RM3.31 million.

No Tariff Increase in 2021, Domestic Water Subsidy of RM97.3 million

In the year under review (2021), there was no water tariff review in Penang.

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

In July and December 2020, the Ministry of Environment and Water (KASA) had announced that all water tariff review proposals in Malaysia had been put on hold because of the negative socioeconomic effects of the Covid-19 pandemic.

As a consequence, PBAPP (the licensed water supply operator for Penang) had to bear a domestic water subsidy which amounted to RM97.3 million in 2021.

This domestic water subsidy was incurred because Penang's average water tariff for the first 35,000 litres per month was RM0.32 per 1,000 litres. This is the cheapest average domestic water tariff being charged in Malaysia.

Essentially, this means that PBAPP subsidised every one of Penang's 571,219 registered domestic consumers for water consumption of up to 35,000 litres per month in 2021.

While Penang's domestic water subsidy is people-friendly, it is not sustainable for 3 key reasons:

1. It escalated per capita domestic consumption in Penang by 27 litres/capita/day (LCD), or 9.6% in 2 years, from 281 LCD in 2019 to 308 LCD in 2021. An increase of 27 LCD may not sound like a lot until you multiply it by 1.776 million people to get 48 million litres per day (MLD). Without intervention, per capita domestic consumption will continue to spiral out of control;
2. It increases the need for new water supply infrastructure to support higher water demand in Penang; and
3. It affected water supply services in Penang to the extent that PBAPP now has to tackle water supply issues in some areas in Seberang Perai Selatan (SPS).

Tariff Review Application 2022

On 30.3.2022, PBAPP, as the licensed water supply operator for Penang, submitted its 5th Business Plan to the National Water Services Commission (SPAN). This is a SPAN requirement for licensing.

In the business plan, PBAPP outlined the need for a tariff review in Penang soon. The tariff review is required because PBAPP needs to raise more funds for more new water supply projects to avoid an outspread of water supply issues in the state arising from rapidly rising water demand.

A PAT of RM36.74 million a year is not enough. The investment required for a single water supply project may run into hundreds of millions of ringgit.

PBAPP is liaising with SPAN to secure approval for its business plan and the accompanying water tariff review. Please let me reiterate that any water tariff review in Penang is subject to approval by the Federal Government.

Thank You.

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