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Media Release 1:

PBA Holdings Bhd (PBAHB) 23rd Annual General Meeting

YAB TUAN CHOW KON YEOW

Chairman, PBAHB and PBAPP, and Chief Minister of Penang.

PBA HOLDINGS BHD: PROFIT AFTER TAX OF RM77.12 MILLION AND FINAL DIVIDEND OF 1.5 SEN PER SHARE FOR FINANCIAL YEAR 2022

PENANG, Tuesday, 27.6.2023: The 23rd Annual General Meeting of PBA Holdings Bhd (PBA 5041) has approved a **single tier final dividend of 1.5 sen per share** for the financial year ended 31.12.2022.

The total payout for this single final tier dividend will amount to RM4.96 million and it will be paid out to all shareholders on 28.7.2023.

This means that PBAHB's dividend payout for 2022 would amount to 3.0 sen per share. Please note that **2023 marks the 22nd consecutive year in which PBAHB is rewarding its shareholders with dividends.** We have not missed a single dividend payment since 2001.

Profit after tax of RM77.12 million

For the financial year of 2022, PBAHB reported a profit after tax of RM77.12 million.

However, PBAHB's profit before tax (PBT) is only RM33.0 million. About RM49.0 million of the profit after tax in 2022 is primarily attributable to the deferred tax assets recognised for unutilised reinvestment allowance to the extent that is probable of recognition.

PBAHB's principal subsidiary is PBAPP, the licensed water supply operator that serves Penang. Please note that PBAPP charged the lowest domestic tariffs in Malaysia in 2022 for the first 35,000 litres per month. PBAPP's average domestic tariff for the first 35,000 litres per month is only 32 sen per 1,000 litres, which is 141% cheaper than the national average of 77 sen per 1,000 litres in 2020.

In order to sustain the 32 sen per 1,000 litres domestic tariff, PBAPP had to absorb domestic water subsidies amounting to RM103.71 million in 2022.

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

Higher “Non-Domestic Category” Tariffs since 1.1.2023

On 1.1.2023, PBAPP implemented higher non-domestic tariffs in Penang, in compliance with a Federal Government regulation entitled “Water Services Industry (Rates for Water Supply Services) (State of Penang) (Amendment) Regulations 2022”. As denoted by its name, this regulation was set, approved and gazetted as a Federal regulation by the previous Federal Government in July 2022.

Billing higher for “non-domestic category” in 2023 will increase PBAHB’s revenue in 2023. However, PBAHB does not wish to speculate on “the potential numbers” for the 2023 financial year because of 3 key reasons:

1. We cannot ascertain if higher tariffs for “non-domestic category” will impact non-domestic water consumption. If companies and organisations in Penang react by consuming less water in 2023, the impact of the tariff review will be lessened.
2. In 2022, domestic water consumption accounted for 61.6% of the average total water consumption of 868 million litres per day (MLD) in Penang. Per capita domestic consumption was 307 litres per capita per day (LCD). In the first quarter of 2023, consumption of water in Penang increased to 876 MLD. Based on PBAPP estimates, per capita domestic has risen to about 310 LCD.

Please note that domestic water tariffs have NOT been reviewed. If the high domestic water consumption trend persists, it is likely that PBAPP’s domestic water subsidies will exceed RM103.71 million for the 2023 financial year. Higher domestic water subsidies may result in a lower than expected profit after tax.

3. As a public listed company, PBAHB will abide by regulations set by Bursa Malaysia on financial projections, including projections on revenue, profit before tax and profit after tax.

So, PBAHB is looking forward to increased revenue. However, we will not provide any financial projections. **Let us review the actual results in 2024.**

“Sungai Muda Incidents” in Kedah that Affected Water Supply in Penang

In July 2022, flash floods in Kedah caused the turbidity of raw water in Sungai Muda to reach the level of 3,000 NTUs (nephelometric turbidity units). PBAPP had to shut down the operations of the Sungai Dua Water Treatment Plant (WTP) because it could not safely treat raw water with a turbidity level that exceeds 1,000 NTU.

In May 2023, a faulty automated gate at a river barrage in Kedah was reportedly left open, causing the Sungai Muda River level to drop to below 1.0meter at PBAPP’s Lahar Tiang Intake. This prevented PBAPP from abstracting raw water from Sungai Muda for treatment at the Sungai Dua WTP.

Both incidents originated in Kedah. Both incidents affected water supply for about 450,000 water consumers in Penang.

It is clear that Penang is too dependent on Sungai Muda as its one and only major raw water resource. In addressing options to reduce the risks of another Sungai Muda incident, please consider the following key facts:

- **Raw water resource development for Penang is the responsibility of the Federal Government.** Water supply services are also regulated by the Federal Government under the Water Supply Industry Act 2006 (Act 655) and the SPAN Act 2006 (Act 654).
- **Penang has the option to pursue desalination, rainwater harvesting and water recycling but the cost will be very high.** In Singapore, the Public Utilities Board (PUB) deploys all three of these technologies to ensure water security. The average tariff for the first 35,000 litres of domestic consumption in Singapore is SGD2.74 or RM9.42 per 1,000 litres. In Penang, we are paying 32 sen per 1,000 litres in 2023.

We do not think that Penangites are ready to pay 30 times more for their water supply.

- **Even if Penang decides to pursue desalination, rainwater harvesting and water re-cycling, we still need Federal Government approvals** for project planning and development, as well as for the implementation of higher water tariffs.

These are the key reasons why the Penang State Government and PBAPP are pursuing the completion of the RM1.2 billion Mengkuang Dam Expansion Project (MDEP) and a “Penang-Perak Water Project”.

MDEP and “Penang-Perak Water Project”

When fully complete, the MDEP will provide Penang with a “1,000 MLD back-up” whenever something goes awry at Sungai Muda. The completion of the MDEP by the Federal Government should “cost Penang nothing” because it is meant to be completed under a RM1.2 billion Federal grant, as announced in 2011.

If the ‘Penang-Perak Water Project’ comes through, we will essentially tap a second major raw water resource until 2050. This is a state government-to-government (G2G) initiative.

At this point in time, the completion of the MDEP and the “Penang-Perak Water Project” represent the most rational and cost-effective options to address Penang’s water needs and risks.

Thank You.

Issued by : Syarifah Nasywa bt Syed Feisal Barakbah
Corporate Communications Unit
Email : syarifah@pba.com.my