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Media Release 1: PBA Holdings Bhd (PBAHB) 24th Annual General Meeting

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Chief Minister of Penang and Chairman, PBAHB and PBAPP.

PBAPP AND PBAHB WILL MOVE FORWARD AND NOT SLIDE BACKWARDS

- **Penang's water consumption reached 927 MLD in February 2024. PBAPP must tap 3 additional raw water resources, increase water treatment capacity in Seberang Perai and boost treated water pumping capacity to Penang Island.**

PENANG, Thursday, 27.6.2024: The Board of Directors of PBA Holdings Bhd (PBAHB - PBA 5041) has directed the PBAPP to "move forward and not slide backwards" to meet Penang's water demand until Year 2030.

In the face of growing water demand, the development of additional water supply infrastructure in Penang must not be delayed. If PBAPP does not move forward, the people and businesses in Penang will suffer the consequences of yet another water shortage.

In February 2024, Penang's water consumption reached a record high of 927 million litres per day (MLD) and it is projected by 2030, Penang's water demand is to reach 1,532 MLD.

The growth in water consumption in recent years has indicated that Penang has rebounded strongly following the Covid-19 pandemic lockdowns

Nevertheless, it is important to note that the higher water consumption is not caused by PBAPP, but the growing water demand within the state. Starting from this year, water rates have been revised to finance PBAPP's plans to supply more water and address Penang's water risks.

As such, PBAPP must now focus on completing its Water Contingency Plan 2030 (WCP 2030) projects and other strategic projects on time.

The WCP 2030 is primarily aimed at:

- Tapping 3 additional raw water resources in Seberang Perai (the Expanded Mengkuang Dam, Sungai Kerian and Sungai Perai);

Increasing water treatment capacity in Penang by 602 MLD; and

- Boosting treated water pumping capacity to Penang Island.

Therefore, PBAPP must now deliver the required results in the period from 2024 to 2028 to avoid another water shortage in Penang.

PBAHB: Net profit of RM34.348 million, final single tier dividend of 1.75 sen

PBAPP is the principal subsidiary of PBA Holdings Bhd (PBAHB – PBA 5041). During PBAHB’s 24th Annual General Meeting (AGM) today, shareholders approved a single tier final dividend of 1.75 sen per share. The entitlement date was set at 15.7.2024. The projected total payout to 7,507 shareholders will be RM5.792 million by 26.7.2024.

With the payment of this final dividend, PBAHB shareholders would receive a net single tier dividend of 3.5 sen per share for 2023. This year marks the 23rd consecutive year in which PBAHB pays dividends.

It should be noted that PBAHB’s 2023 net profit of RM34.348 million is lower than the RM77.116 million net profit reported for 2022.

This is primarily due to the fact that the net profit for 2022 included an allocation for RM49.0 million in “deferred tax assets recognised for unutilised reinvestment allowance to the extent that it is probable for recognition.”

There was no such tax allowance for the 2023 financial year.

In reality, PBAHB’s profit before tax (PBT) for 2023 was RM68.410 million as compared to RM32.998 million in 2022. This 107.3% increase in PBT year-on-year is primarily due to the 2023 water rate review for non-domestic water consumption. Generally, non-domestic water consumption refers to consumption by business consumers and government organisations in Penang.

2024 domestic water rates

On 31.1.2024, The Malaysian Federal Government regulated new water rates for domestic water consumption in Penang by Penang households. These new rates came into effect from 1.2.2024. New water rates were also regulated concurrently for 10 other states in Peninsular Malaysia and the 3 federal territories of Kuala Lumpur, Labuan and Putrajaya.

The 4 key rationales for the 2024 Penang domestic water rates may be summarised as follows:

1. In 2023, PBAPP supplied an average of 877 million litres per day (MLD) of treated water. 877 MLD is the highest annual average volume in the history of Penang. And yet, there were reported intermittent water issues in some neighbourhoods in Seberang Perai Selatan (SPS) and Daerah Barat Daya (DBD). These issues must be resolved before things get worse.
2. PBAPP's domestic water subsidy amounted to RM116 million in 2023. This level of subsidy is unsustainable. It affects PBAHB's financial standing and limits PBAPP's implementation of water supply improvement projects in Penang.

With the 2024 domestic water rates, PBAPP is still subsidising domestic water consumption in Penang, albeit at a more acceptable level.

3. Penang's per capita domestic consumption was 284 litres/capita/day (LCD) in 2023, as compared to the national average of 237 LCD in 2022 and Singapore's 141 LCD in 2023.

It is hoped that new water rates will encourage and convince Penang domestic consumers to use less water at home. This is in line with the Penang State Government's *Penang2030* vision to transform the state into "a family-friendly, green and smart state that inspires the nation."

4. PBAPP's costs of supplying water in Penang has increased by 30% since the last tariff review in 2015. Key elements of this increase in costs include TNB's Imbalance Cost Pass-Through (ICPT) in electricity charges.

It also includes the significantly higher energy costs and operational water losses to pump treated water from the Sungai Dua Water Treatment Plant to Air Itam, in order to defend the reserves of the Air Itam Dam in 2023 and 2024.

Soft landing: "One-off" RM11 million domestic water rebate

On 5.6.2024, the Penang State Executive Council directed PBAPP not to bill Penang domestic consumers for the first 10m³ (10,000L) of consumption in 3 bi-monthly water bills in the period from 1.7.2024 to 31.12.2024.

There are about 596,000 registered domestic water consumers in Penang. The total savings for each domestic water consumer will be RM18.60 in the specified 6-month period.

The projected impact on PBAPP's revenue will be about RM11 million.

This “family-friendly” gesture is meant to provide all Penang households with a “soft landing” insofar as the 2024 Penang water domestic rates are concerned.

Kindly note the following 3 facts:

- PBAHB and PBAPP are Penang State Government-linked companies (State GLCs). PBAHB’s majority shareholder is “State Secretary Penang”, an entity that holds 55% of PBAHB shares and a golden share in public trust.
- With the RM11 million domestic water rebate, it is projected that PBAPP’s revenue will increase by RM75 million (instead of RM86 million) in 2024.
- The additional RM75 million will be primarily allocated for WCP 2030 projects to increase water supply in Penang, alleviate water issues and reduce water supply risks, vis-à-vis Sungai Muda and climate change.

In summary, the RM11 million domestic water rebate is a “one-off” goodwill measure that will benefit of the majority of PBAPP’s customers in Penang.

Thank You.

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