



PBAHB

PBA Holdings Bhd

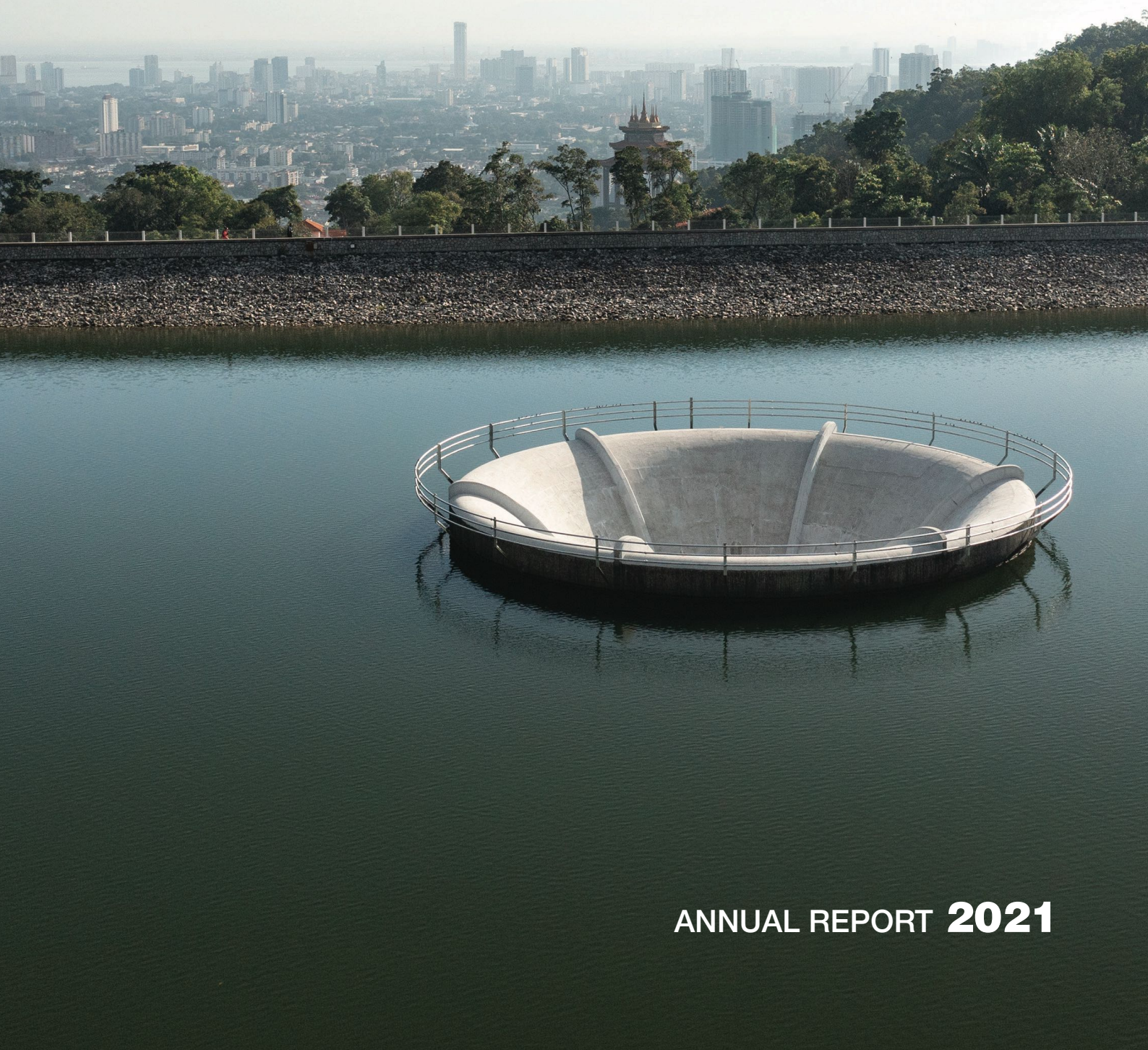
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Memenuhi segala keperluan bekalan air anda

Meeting all your water supply needs

FORWARD

PLANNING FOR A SAFER TOMORROW



ANNUAL REPORT **2021**

Forward Planning

for A Safer Tomorrow



Expanded Mengkuang Dam

More so than ever in recent history, water supply has become an understated but essential public service.

In 2021, Covid-19 continued to dominate Malaysian lives and Malaysia's socioeconomic landscape. From March to June 2021, a nationwide lockdown had to be implemented to "flatten the curve".

At the height of its spread throughout Malaysia in 2021, the coronavirus infected more than 20,000 people a day. Streets and business premises were relatively empty. Most Malaysians had to work from home, with some sense of normalcy, without falling into harm's way.

People needed water to drink, cook, wash, clean and bathe at home, every day.

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), the main subsidiary of PBA Holdings Bhd (PBAHB), focused primarily on continuously supplying water, on a 24/7 basis, to 658,910 registered water consumers in the State of Penang.

PBAPP's "success" in 2021 is best reflected by the fact that there were no major water supply disruptions in Penang that inconvenienced lives or threatened livelihoods during the year in review.

On the financial front, PBAPP's contribution to the success of PBAHB is reflected in PBAHB's profit after tax (PAT) of RM36.74 million for 2021. It should be noted that there was no water tariff review in Penang. As such, PBAHB's 2021 PAT is indicative of PBAPP's water supply engineering proficiency and operational efficiency during a second pandemic year.

PBAPP is a responsible water supply operator which regards water supply engineering as a forward-thinking and forward-planning endeavour. PBAPP works continuously to ensure that water supply stays ahead of water demand in Penang.

As at 2021, the State of Penang was facing significant raw water risks due to the following 3 reasons:

- Since Penang has a limited land area of only 1,048 sq. km, PBAPP has to abstract more than 80% of the raw water the state needs daily from Sungai Muda, a raw water resource that is shared with Kedah. Projections indicate that Sungai Muda may reliably meet Penang and Kedah's raw water needs until 2025. Moreover, the Kedah State Government

has sanctioned logging in Ulu Muda (the water catchment area for Sungai Muda) and announced schemes along the river's banks that will compromise Sungai Muda's role as a primary raw water resource for Penang.

- Water demand in Penang has increased by 51.14%, from 569 million litres per day (MLD) in 2000 to 860 MLD in 2021. The number of registered water consumers has also increased by 84.67%, from 356,797 consumers in 2000 to 658,910 consumers in 2021.
- Climate change has affected rainfall patterns in the water catchment areas of the Air Itam Dam and Teluk Bahang Dam on Penang Island, as well as in Ulu Muda, the water catchment area for Sungai Muda. Due to lack of rainfall, the capacity of Kedah's Muda Dam plummeted to 3.81% on 1.4.2020. Later in the same year, the Teluk Bahang Dam reported an all-time low effective capacity of 16.0% on 5.9.2020.

In 2021, the Penang State Government and PBAPP proposed the establishment of a professional "Ulu Muda Basin Authority" (UMBA) to manage Ulu Muda and Sungai Muda sustainably as indispensable raw water assets in the Northern Corridor Economic Region (NCER). On 8.12.2021, the Ministry of Environment and Water (EWA) rejected the proposal to set up the UMBA.

Penang also requested for the prompt implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS) to tap a second major raw water resource. On 3.3.2022, the Perak Menteri Besar stated that Perak "is unable to supply raw water to other states".

The UMBA rejection and (further) delay of the SPRWTS may be regarded as disappointments but not deterrents. On its part, PBAPP has already drafted contingency plans in 2020 and 2021 to mitigate Penang's raw water risks until 2030.

Looking ahead, the Penang State Government and PBAPP have viable solutions to consider and pursue. These solutions may not be the most cost-effective options but water is an essential element for life and future socioeconomic progress.

The objective is to achieve water supply security and a prudent measure of self-sufficiency for Penang until 2050. Above all, the state and people of Penang must continue to enjoy continuous good water supply in a safer and more promising post-pandemic era.



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HOLISTIC WATER SUPPLY MANAGEMENT

PBA Holdings Bhd's principal subsidiary is Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), the licensed water operator that serves the State of Penang in Malaysia.

With a land area totalling only 1,048 sq. km, Penang is a state with unlimited potential but very limited raw water resources.

Our primary business is to sustain continuous good water supply in Penang. With population growth and increasing socio-economic developments, we have to employ holistic water supply management strategies.

As such, we manage both water demand and supply in a water-stressed state.

KEY CORPORATE OBJECTIVES

- Uninterrupted water supply
- Customer satisfaction
- Skilled, competent and motivated workforce
- Effective teamwork
- Timely and orderly development of water resources
- Productive utilisation of financial and other resources
- Continuous improvement in all fields
- Compliance with all relevant legislations
- Effective relations with government agencies and industrial organisations

VISION

Meeting all your water supply needs.

MISSION

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP)
will be the leading organisation in water supply.

COMMITMENT

We will be environmentally sensitive, responsible,
proactive, professional, innovative and committed
to excellence and sustainable development.

We will be responsible for the development of
water supply and delivering the best possible service
by being customer-oriented.

CORE VALUES

Accountability

Communication

Teamwork

Integrity

On-Going Learning

New Ways of Improvement



RESPECT OUR RAINFORESTS

There are 62.9 sq. km of protected water catchment areas in Penang.

These are the precious wild places that collect rain water for us.

Kindly respect the environment and the wildlife whenever you visit our dams and water catchment areas in Penang.

More info: www.pba.com.my



Scan for videos.

ISO 9001:2015

QUALITY POLICY

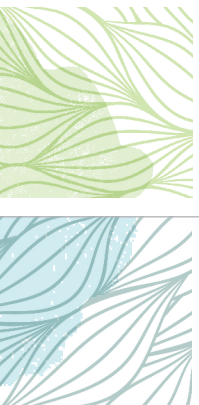
In line with its corporate objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards continual improvement as it strives to provide high quality services and products that will satisfy customers and other interested parties.

Accordingly, PBAPP will:

- Regularly review its business operations by carrying out appropriate business risk assessment for setting measurable Quality Objectives, which comply with good corporate governance and corporate social responsibilities, emphasis on measurable key performance and results;
- Comply with all related legislative and legal standards, requirements and laws set by the Malaysian Government;
- Continually improve and update its Quality Management System which is based on ISO 9001:2015 standard;
- Sustain a corporate culture driven by continual improvement by promoting and encouraging innovation, teamwork, diligence and creativity, as well as a proactive approach to water supply services;
- Provide the best possible training opportunities to encourage its employees to continuously upgrade their competency levels, knowledge and skills;
- Uphold its reputation as a model water supply organisation in Malaysia; and
- Ensure that all its personnel are fully committed towards promoting and implementing this quality management policy in all aspects of its operations and services.



Sungai Dua Water Treatment Plant



ISO 45001:2018

OCCUPATIONAL SAFETY & HEALTH POLICY

In line with its Corporate Objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards protecting, sustaining and supporting the safety & health aspect; which include the prevention of injury and ill health of its workforce.

Accordingly, PBAPP will :

- Regularly review its business operations by carrying out appropriate assessment for setting measurable Occupational Safety & Health (OSH) Objectives, which comply with good corporate governance and corporate social responsibilities, emphasis on measurable key performance and results;
- Ensure that all its business activities are conducted without compromising the safety and health of its employees, contractors, suppliers, customers and visitors;
- Promote safe and healthy work practices in all its offices, complex and installations by identifying the hazards, assessing the risks and implementing control measures;
- Eliminate hazards, prevent, reduce and avoid OSH risks, as far as possible, any workplace mishap by practicing proper procedures, implementing control and monitoring mechanisms, and conducting audits and reviews of the Occupational Safety & Health Management System;
- Comply with all legislative, laws, legal and other requirements related to occupational safety and health;
- Constantly promote and implement the OSH Policy in all aspects of its operations and services through consultation and participation with management and employees; and
- Continually improve and update its OSH Management System and its performance which is based on ISO 45001:2018 standard.



Batu Ferringhi Water Treatment Plant

ISO 14001:2015

ENVIRONMENTAL POLICY

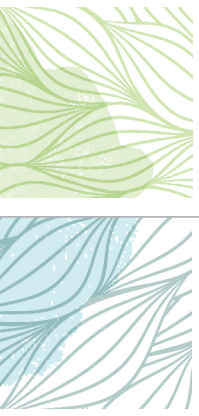
In line with its corporate objectives, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) is fully committed towards protecting, preserving and conserving the environment while striving to meet all of Penang's water supply needs.

Accordingly, PBAPP will:

- Regularly review its business operations by carrying out appropriate assessment for setting measurable Environmental Objectives, which comply with good corporate governance and corporate social responsibilities, emphasis on measurable key performance and results;
- Strive to conduct its operations in a manner that is in harmony with nature;
- Reduce and/or control wastage of natural water resources and consumption of energy and chemicals;
- Prevent and avoid, as far as possible, any form of pollution by practising proper procedures, implementing control and monitoring mechanisms, and conducting audit practices and reviews;
- Comply with all related obligatory requirements, environmental legislative and legal standards, requirements and laws set by the Malaysian Government;
- Ensure that all its personnel are fully committed towards promoting and implementing this environmental management policy in all aspects of its operations and services; and
- Continually improve, update and expand its Environmental Management System which is based on ISO 14001:2015 standard.



Air Itam Water Treatment Plant



RISK MANAGEMENT POLICY

Risk management supports PBAHB's endeavour to achieve its mission of meeting Penang's water supply needs.

Risk management is an integral part of corporate governance. The Board shall be reasonably assured that adverse impacts arising from a risk event on the company's objectives are mitigated and managed.

Management shall be responsible to promote a risk culture, where employees are aware of the risks and opportunities faced by the organisation.

Decision making will be enhanced by learning lessons from past activities, and adopting a pragmatic approach. This is done to manage emerging and current risks that may affect the achievement of PBAHB's objectives. Current and future decisions can be made to reduce threats and optimise potential benefits.

PBAHB has established and implemented an Enterprise Risk Management process. This enables decision makers to make informed decisions based on the risks assessed.

The objectives of Enterprise Risk Management in PBAHB are to:

- Continuously identify and assess risks and improve control measures, steered by clear guidelines for preventing, detecting and mitigating risks.
- Maintain a continuous effort towards prioritising and managing business risks based on the likelihood of occurrence (possibility) and magnitude of impact (severity) to:
 - > Ensure business continuity;
 - > Minimise any unexpected damage to reputation, shareholders' value and confidence; and
 - > Prevent capital leakage, wastage and loss of earnings.



Guillemard Reservoir

WHISTLEBLOWER POLICY

WHISTLEBLOWER POLICY WITHIN PBA HOLDINGS BHD GROUP OF COMPANIES

“Whistleblowing” involves the disclosure of information to the relevant authorities by specific employees (within PBAHB and its subsidiaries), vendors and the general public, who discover breaches of the securities laws or any possible serious violation of internal policies, procedures or external laws by the perpetrators, culprits or fraudsters.

The WHISTLEBLOWER POLICY gives protection to such persons against harassment or victimisation as a result of such disclosures; the Company has established internal procedures for handling employee concerns, to assist companies to address any shortcomings within its processes, and to facilitate good governance practices. Therefore, employees, vendors and the general public are encouraged to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and malpractices at the earliest opportunity via the appropriate channel.

THE UNDERLYING FUNDAMENTALS AND RATIONALE OF THE POLICY

- i) All concerns raised will be treated fairly and properly;
- ii) The Company will not tolerate harassment or victimisation of the employee, vendors and the general public raising genuine concerns;
- iii) Any employee, vendors and the general public making a disclosure will retain anonymity unless he agrees otherwise;
- iv) The Company will ensure that the employees, vendors and the general public raising a concern is aware of who is handling the matter;
- v) The Company will ensure no employees, vendors and the general public will be at risk of suffering any form of reprisal as a result of raising a genuine concern;
- vi) To enable the Company to achieve the highest possible standards of corporate governance ethical standards;
- vii) The Company’s workforce represents a valuable source of information that can be utilised to identify a potential problem, and deal with it, before it causes potential damage to the Company’s reputation or stakeholders;
- viii) This Policy provides employees, vendors and the general public with a secure channel of reporting impropriety in the knowledge that the matter will be treated confidentially; and
- ix) An effective whistleblowing procedure will provide an open, honest and accountable culture amongst all employees, vendors and the general public where they can express their concerns, without fear of victimisation or termination of employment.

To report any incidents, please contact any of the following Company Directors who have been appointed as the Liaison Officers, via telephone, mail or email. The appointed persons will act promptly to investigate the issue:

- YB Prof. Dr. P. Ramasamy a/l Palanisamy
Tel : 04-262 9930 Fax : 04-261 8715
Email : ramasamy@penang.gov.my
- YBhg. Dato’ Brian Tan Guan Hooi
Tel : 04-399 9887
Email : brian.tanguanhooi@gmail.com
- By mail :
PBA Holdings Bhd
Level 32, KOMTAR, Jalan Penang,
10000 George Town, Pulau Pinang.

INFORMATION SECURITY POLICY

INFORMATION SECURITY POLICY

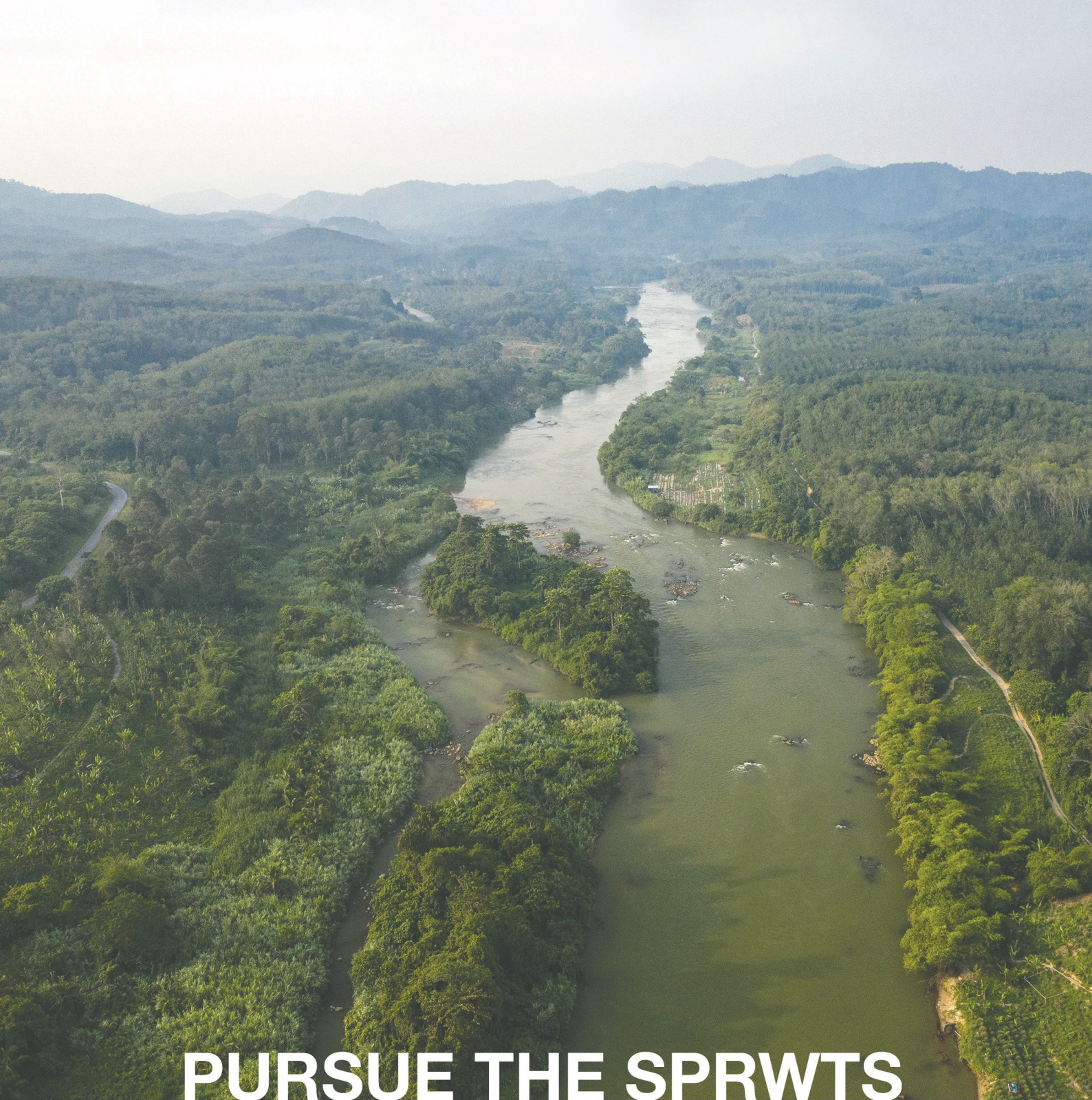
PBAPP recognises the value and importance of information and Information Assets for the organisation in providing adequate clean and safe water to the state of Penang. This Policy is aimed at protection of Information Assets of Sungai Dua Water Treatment Plant (WTP) and all its supporting services which shall serve as point of reference for all other subsequent policies pertaining to Information Security and shall also act as a guide towards planning for emergency and crisis situations.

It is the Policy of the Management of PBAPP to ensure:

1. Information Assets will be protected against unauthorised access.
2. Confidentiality, Integrity and Availability of information and Information Assets will be assured, maintained and met accordingly.
3. Classification of Information Assets is applied and to perform Risk Management to identify and evaluate security risks so that appropriate measures can be taken.
4. Standards, Procedures and Guidelines relating to the Information Security is in place to support its implementation as well as to define the minimum level of information security compliance for all employees and third parties who conduct business with the Sungai Dua WTP.
5. Regulatory and legislative requirements will be met.
6. Availability of information security training to all staff of Sungai Dua WTP.
7. Continual improvement to Information Security Management System (ISMS) security initiatives with sufficient provision of resources.

Application of this Policy

1. This Policy applies to all staff at Sungai Dua WTP and its supporting services and to all information contained therein, whether owned by, held in custody for customers, or, used by Sungai Dua WTP and its supporting services.
2. The ISMS Management Representative (ISMS MR) shall be responsible for structuring information security within Sungai Dua WTP and its supporting services. He/She shall maintain the policies and advise on its implementation.
3. All Department Heads are directly responsible for implementing the Policy within their own departments, and for adherence by their staff.
4. It is the responsibility of each employee of the Sungai Dua WTP to adhere to the Policy and related Standards, Procedures and Guidelines. Breach of these may result in disciplinary action.
5. Staff should report all breaches of information security, actual or suspected, to their respective Managers for further action.



PURSUE THE SPRWTS

Since 2011, Penang and PBAPP have pursued the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS).

The SPRWTS has the potential of addressing North Perak and Penang's raw water needs until 2050.

Kindly support our call for the Federal Government to expedite the SPRWTS. Let us achieve long-term water supply security for Perak and Penang.

More info: www.pba.com.my



Visit website.

CHAIRMAN'S MESSAGE

YAB TUAN CHOW KON YEOW
Chairman of PBAHB and PBAPP



PBA Holdings Bhd (PBAHB) is the public listed holding company for Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), the licensed water supply operator that serves Penang. Our core business is the supply of treated water, 24/7, to registered water consumers in the state.

In 2021, the Covid-19 global pandemic continued to be the issue of highest concern for the majority of people living in Penang and Malaysia. Its impact shaped public policy and affected various aspects of our daily lives during the year under review.

As many Penangites were compelled to work from home (WFH) to keep the virus at bay, the PBAPP management did its best to minimise the effects of the pandemic on water supply operations in Penang.

Since water supply engineering is largely a “hands-on” business that requires a fair measure of on-site work, the management focused on enhancing personnel safety to minimise risk. Covid-19 standard operating procedures (SOPs) were put in place to allow our personnel to carry out their duties in the field and at their posts, safely and effectively.

As a result, PBAPP’s “success” in 2021 is best reflected by the fact that there were no major unscheduled water supply interruptions in Penang that threatened lives or livelihoods during the year in review.

KEY FINANCIAL RESULTS

PBAHB recorded a revenue of RM334.82 million for the 2021 financial year that ended on December 31. Our total revenue in 2021 was marginally (0.44%) lower than the total revenue for 2020 (RM336.30 million).

This marginal drop in total revenue is related to the fact that the federal Government imposed a series of “Covid-19 lockdowns” in 2021 that required many Penangites to stay at home and WFH. More importantly, it affected PBAPP’s revenue from trade water consumption billings because the majority of businesses in Penang were not allowed to operate or had to operate under tight restrictions.

Our consumption analysis shows a 0.26% drop in trade water consumption, from 114.59 million cubic metres (cu.m.) in 2020 to 114.29 million cu.m. in 2021.



Expanded Mengkuang Dam

Chairman's Message (Cont'd)

The good news is that PBAHB's profit after tax (PAT) amounted to RM36.74 million in 2021, reflecting an increase of 48.40% when compared to the PAT of RM24.76 million reported for 2020.

This significant increase in PAT year-on-year is primarily due to a deferred tax benefit of about RM9.0 million earned by PBAPP, relating 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 - 31.12.2021 by the business. Pursuant to the Inland Revenue Board (IRB) ruling, PBAPP will exhaust the carried forward unabsorbed capital allowance within the next few years, and the depletion of the unabsorbed CA in due course, will increase the utilisation of unabsorbed RA in future years.

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

Our profit before tax (PBT) was RM28.11 million in 2021, as compared to RM31.57 million in 2020. The primary reasons for this 11.0% decrease in PBT are higher costs of doing business during a pandemic year which includes additional costs for personnel safety and protection, as well as higher costs for supplies.

DIVIDEND PROPOSAL

The PBAHB Board of Directors is proposing a final single tier dividend of 1.00 sen per share during the 22nd Annual General Meeting (AGM).

The total payout for this final single tier dividend, subject to shareholders' approval, would amount to RM3.31million; and the proposed entitlement date is 15.7.2022. If approved at the AGM, this final single tier dividend will be paid out on 29.7.2022.

If the final single tier dividend is approved, PBAHB shareholders would receive a net single tier dividend proposed and declared of 2.25 sen per share for the 2021 financial year.

Please note that 2022 marks the 21st consecutive year in which PBAHB is proposing to reward its shareholders with dividend payments.

NO WATER TARIFF REVIEW

There was no water tariff increase in Penang in 2021. The last tariff review was in 2015.

In 2019, PBAPP publicly stated that it was planning to apply for a Penang water tariff review.

However, in July and December 2020, the Ministry of Environment and Water (KASA) announced that it would put on hold all water tariff review proposals in Malaysia because of the negative socioeconomic effects of the Covid-19 pandemic. PBAPP will apply for a water tariff review as and when it is allowed to do so.

The water supply industry in Malaysia has been placed under Federal Government regulation. All licensed water operators, including PBAPP, are required to comply with Federal laws, vis-à-vis the Water Services Industry Act 2006 (WSIA 2006 - Act 655) and the SPAN Act 2006 (Act 654).

The National Water Services Commission (SPAN) regulates the water supply industry in accordance to the WSIA 2006, which requires water supply operators to apply to SPAN for water tariff reviews.

PBAPP will apply for a water tariff review based on its business plan submission to SPAN. The amount for the review will to be based primarily on operating expenditure (OPEX) and capital expenditure (CAPEX) projections.

SPAN is listed as an agency under KASA on KASA's website. As such, the Federal Government is the authority that approves water tariff reviews in Malaysia.

Every water tariff review for every state in Peninsular Malaysia is subject to Federal Government approval before it may be passed, as an amendment to the WSIA 2006.

Chairman's Message (Cont'd)



Teluk Bahang Dam

PBAPP may not legally or arbitrarily introduce new water tariffs in Penang without Federal Government approval.

FUTURE PLANS

Looking back, we can say that the first dynamic era for modern water supply engineering in Penang kicked off in 1973, when Tun Haji Abdul Razak bin Haji Hussein, the 2nd Prime Minister of Malaysia, “opened” the Sungai Muda Water Scheme (SMWS) to ensure water supply sufficiency for Penang’s drive towards industrialisation.

The 1970s – 1980s saw the commissioning of the Sungai Dua Water Treatment Plant (WTP), the Sungai Dua Canal, the 1st Penang Twin Submarine Pipelines, the Bukit Dumbar Reservoir Complex and the original Mengkuang Dam.

In the 1990s, the second dynamic era for modern water supply engineering in Penang culminated in the official opening the Teluk Bahang Dam in 1999 by Tun Abdullah bin Ahmad Badawi, the 5th Prime Minister of Malaysia.

The Teluk Bahang Dam was built primarily to ensure water supply sufficiency in Penang’s famous tourist belt areas of Tanjung Bungah, Batu

Ferringhi and Teluk Bahang. The commissioning of the Batu Ferringhi WTP and the 2nd Penang Twin Submarine Pipelines were the other landmark developments during the last decade of the 20th Century.

Since 1999, PBAPP has been optimising the capacity of the SMWS by implementing a series of 6 upgrades at the Sungai Dua WTP. Over a period spanning 22 years, PBAPP has successfully increased the Sungai Dua WTP’s treatment capacity by 200.98%, from 408 MLD (million litres per day) in 1998 to 1,228 MLD in 2021 to stay ahead of Penang’s water demand.

In 2015, the Sungai Dua WTP won the ASEAN-level CAFEO 33 Award for “Outstanding Engineering Achievement”. In 2018, it received the Malaysian Water Association’s “Best Water Treatment Plant Award”.

Since 2020, we have been moving ahead in the third major dynamic era for modern water supply engineering in Penang. Now, our objective is to achieve water supply security for Penang until 2050.



Waterfall Water Treatment Plant

Chairman's Message (Cont'd)

In 2020, PBAPP commissioned the 3rd Penang Twin Submarine Pipelines (3rd PTSP). With the 3rd PTSP, PBAPP can pump an additional 315 MLD of treated water from the Sungai Dua WTP to Penang Island.

In 2021, the Penang State Government opened an "Expanded Mengkuang Dam", with an upgraded maximum effective capacity of 86.4 billion litres, to mitigate our water risk during prolonged dry seasons.

On 1.3.2022, the Penang state delegation headed by the Chief Minister of Penang met the Perak state delegation headed by the Menteri Besar of Perak at his office in Ipoh. Unfortunately, the MB of Perak announced that Perak may not have enough water to sell to Penang. It should be noted that Penang first proposed the SPRWTS in 2011. This much needed project has been delayed for 11 years.

With prudence in mind, PBAPP has also drafted the Penang Water Supply Initiative 2050 (PWSI 2050) to serve as a contingency water supply engineering roadmap for Penang. The PWSI 2050 presents options for Penang to achieve water supply security, with or without the SPRWTS.

For the record, the Penang State Government and the PBAHB Group's focus and emphasis on future water supply security is driven by hard facts and figures.

PBAPP was corporatised in 1999. Penang's population has increased by 44.7%, from 1.23 million people in 1998 to 1.78 million people in 2021. The state's Gross Domestic Product (GDP) contribution shot up by 543.0%, from RM14.4 billion in 1999 to RM92.6 billion in 2020.

Accordingly, Penang's water consumption also increased by 60.4%, from 536 MLD in 1999 to 860 MLD in 2021. Looking ahead, Penang's water demand is projected to reach 1,532 MLD by 2030 and 2,178 MLD by 2050.

Since water is an essential element for daily life in Penang, as well as all socioeconomic activities, it would be wrong and irresponsible for the PBAHB Group to wait for a water crisis to occur before reacting. The right thing to do is to be proactive, to plan and act ahead of time to avoid a foreseeable crisis.

CHOICES AND OPTIONS

In Penang, per capita domestic water consumption escalated by 19.6% from 225 litres per capita per day (LCD) in 1999 to 308 LCD in 2021. Since 1999, PBAHB has been playing its role to promote wiser water usage in support of the concepts of sustainable development and low domestic water tariffs.

However, it has become evident that with continuing socioeconomic evolution, more people in Penang have chosen to consume more water.

Since more people are likely to demand more water supply in the future, the rational solution is to implement new infrastructure projects to ensure that water supply continues to stay ahead of water demand.

If the SPRWTS is implemented, the Federal Government will build and pay for the inter-state raw water tunnel to channel raw water from Perak to Penang. However, PBAPP will still need to invest millions to build the proposed new Sungai Kerian WTP in Penang to treat the raw water. There will also be additional investments for reservoirs, pump houses and pipelines to store, pump and deliver the treated water from the Sungai Kerian WTP to the taps in households and business premises.

If the SPRWTS cannot be implemented, PBAPP may have to build desalination plants at strategic locations to start "converting" seawater into potable water. Development costs for desalination options will also be high; and the costs of running a desalination plant are significantly higher than the operational costs of a conventional water treatment plant. New reservoirs, pump houses and pipelines are also required.

For the sake of water supply security towards 2050, the implementation of the SPRWTS and/or desalination projects in Penang are inevitable. The costs for these projects will eventually be passed on to water consumers as the end-users. As such, the people of Penang will inevitably pay more for their water supply in the future, in the form of higher water tariffs.

That said, water consumers in Penang still have a choice, or "a say", in determining the pace of tariff increments in Penang towards 2050.

Chairman's Message (Cont'd)

If water demand in Penang is “moderated”, the pace of implementation for the SPRWTS and/or the desalination projects may be “moderated” in phases. The ideal result would be a “moderated” increase in Penang water tariffs towards 2050.

In terms of water supply, it is the responsibility of PBAPP to ensure good water services in Penang, 24/7, in the future, regardless of population increase and socioeconomic growth. On the demand side of the water equation, it is up to Penang water consumers to “determine” the price they are willing to pay for water supply in the future.

Wiser water usage will lead towards moderated water tariff reviews over a reasonable period of time. On the other hand, continuing aggressive consumption of water in Penang will result in spiking water tariff reviews towards 2050.

Regardless of consumers' choice, a point of equilibrium will be reached, as reflected by the water supply-and-demand scenario in Singapore.

Singapore has achieved a high level of water supply security but water consumers living there pay SG2.74 per 1,000 litres (RM8.53 per 1,000 litres) for domestic consumption of the first 40,000 litres per month. Accordingly, Singapore was able to record an impressive per capita domestic consumption figure of only 141 LCD in 2018.

Are water tariffs in Singapore too high? The answer varies depending on whom you ask. However, the integrity and stability of Singapore's water supply services, even during prolonged dry seasons or a global pandemic, is unquestionable.

PROSPECTS FOR THE FUTURE

In a way, the water supply industry is an “evergreen” industry because there is no substitute for water as an essential daily resource for daily life and almost all socioeconomic activities. It may even be said that there is no price that is too high for water supply so long as someone is willing to pay for it.

Since its corporatisation in 1999, PBAPP has strived to keep Penang water tariffs, especially domestic water tariffs, “people-friendly”. To do so, PBAPP cross-subsidises water consumption by every Penang domestic consumer (for the first

35,000 litres per month) with earnings from trade consumption billings.

In 2021, this resulted in a domestic water subsidy totalling RM97.3 million. This subsidy has been borne by PBAPP for the past 22 years, as its core corporate social responsibility (CSR) commitment to the Penang community.

Unfortunately, the data indicates that Penang's domestic water subsidy has indirectly encouraged the people to consume more water on a daily basis. As such, we recorded a 2021 per capita domestic consumption statistic of 308 LCD for Penang.

Looking ahead, PBAPP must invest in new water infrastructure projects to make sure Penang does not run out of water in the future.

There are a few key avenues for PBAPP to raise the required funds for new infrastructure projects, such as: reducing the domestic water subsidy, revising Penang water tariffs and seeking favourable financing options, from the government and/or private sectors.

Since the proposed Sungai Kerian WTP and/or desalination plants are likely to cost hundreds of millions of ringgit, the solution may well require an innovative combination of various financial avenues.

Whatever the future might bring, the PBAHB and PBAPP teams will strive to continue serving Penang effectively and efficiently, in terms of supplying good quality water and providing friendly supporting services to all water consumers in Penang, while charging reasonable water tariffs.

However, kindly note that it would be illogical and irrational for us to operate at a loss when water demand projections compel us to invest hundreds of millions of ringgit to protect Penang's future.

We will also strive to meet the expectations of all our shareholders, as we have done through the years, by rewarding them with fair returns for their investments in the years to come.

However, we cannot function as a fully profit-driven company because water supply is an essential public service that should be provided to as many people as possible.



Sungai Dua Water Treatment Plant

CONCLUSION & ACKNOWLEDGEMENTS

2021 was a second global pandemic year, and the PBAHB Group of Companies adapted successfully to fulfill its obligations to the people and businesses in Penang.

On the operational and engineering fronts, our most important achievement was the sustenance of continuous good water supply services in Penang.

On the financial front, we were fortunate to “catch a tax break” and report a higher PAT for 2021 as compared to 2020.

Insofar as rewarding shareholders is concerned, we look forward to paying out a modest but fair final dividend payment for 2021.

All in all, I think it would be fair to say that 2021 turned out to be another challenging yet rewarding year for the PBAHB Group and its shareholders.

As such, I am pleased to commend our PBAHB and PBAPP teams for taking on the challenges of 2021 and getting a good job done for our Group and for Penang, under the leadership of Dato’ Ir. Jaseni Maidinsa.

I thank the Members of the PBAHB and PBAPP Board for their contributions and their support in 2021. You have played your part in helping me to guide our Group towards success in another global pandemic year.

Finally, I thank our business partners for helping us to achieve our goals; and our shareholders for keeping faith with us.

Even as the threat of Covid-19 continues to loom over us in 2022, we must keep our eyes on target and work towards achieving water supply security for Penang towards 2050.

Thank You.

YAB TUAN CHOW KON YEOW

April 2022

SET UP AN INDEPENDENT AUTHORITY TO PROTECT AND MANAGE ULU MUDA FOR THE GOOD OF THE PEOPLE

- An “Ulu Muda Basin Authority” should be set up to draft and implement an “Ulu Muda Basin Plan” for the benefit of 4.2 million people in Perlis, Kedah and Penang.
- Ulu Muda must be managed sustainably as the key NCER water catchment area. Sustainable management requires the Federal Government to completely stop and ban all logging, mining and other destructive activities in Ulu Muda.

The Federal Government should consider setting up an independent authority to manage Ulu Muda professionally and sustainably as the most important water catchment area in the Northern Corridor Economic Region (NCER).

A total of 4.2 million people in the 3 NCER states are heavily dependent on Ulu Muda as a water catchment area. As such, the future well-being, GDP and tax contributions of Perlis, Kedah and Penang are heavily dependent on the availability of sufficient raw water from Ulu Muda.

“Ulu Muda Basin Authority” (UMBA)

An “Ulu Muda Basin Authority” may be modelled after the Murray-Darling Basin Authority (MDBA) which manages the Murray-Darling Basin (MD Basin) for the Australian Commonwealth Government and 5 states: Queensland, New South Wales, the Australian Capital Territory (ACT), Victoria and South Australia.

Established under Australia’s Water Act 2007, the MDBA is an independent statutory agency that reports to the Australian Minister for Resources, Water and Northern Australia. It serves as a pivotal body in the implementation of the Australian Government’s “Water for the Future” programme that has 4 priorities:

1. Tackling climate change.
2. Supporting healthy rivers.
3. Using water wisely.
4. Securing water supplies.

These 4 priorities broadly reflect the challenges that are being faced by Perlis, Kedah and Penang today, vis-à-vis water supply security in the NCER.

“Ulu Muda Basin Plan”

In Australia, the MDBA is managing a “Murray-Darling Basin Plan” to achieve a balance between environmental, economic and social considerations.

Water is being managed in the MD Basin with the following goals in mind:

- Water limits for consumption: Limits are set to the amount of water that can be taken from the MD Basin each year, through the implementation of local water plans and water resource plans.
- Water for the environment: Water for the environment is used to improve the health of rivers, wetlands and floodplains.
- Infrastructure development, operation and maintenance of dams, barrages and weirs to regulate water flows and help deliver water to communities, irrigators and the environment.
- Managing groundwater to preserve and improve water quality.
- Maintaining good water quality by monitoring, measuring and managing natural water flows, as well as addressing water quality degradation issues.

- Water markets and trade to encourage more efficient use of water available from the MD Basin. Water can be traded between users, within limits.
- Monitoring compliance to the “Murray-Darling Basin Plan”.
- Monitoring and evaluating the effectiveness of water management.

The “Murray-Darling Basin Plan” clearly focuses on sustainable and environment-friendly water management strategies, programmes and policies for the long-term benefit of all MD Basin stakeholders. It strives to protect and preserve the MD Basin as a natural water resource above all else. Its goals are formulated from public feedback, facts, scientific data and analyses.

Similarly, our Malaysian Federal Government may commission a scientific and environment-friendly management plan that prioritises the protection and preservation of 163,000 hectares of rainforests in Ulu Muda for the good of the people, in terms of long-term water supply security.

The top priority should be to manage Ulu Muda sustainably as the key NCER water catchment area for Perlis, Kedah and Penang in the foreseeable future.

Naturally, sustainable management requires the Federal Government to completely stop and ban all logging, mining (including mining for rare earth elements – REE) activities, as well as any other destructive activity, in Ulu Muda. The proposed “Ulu Muda Basin Authority” should then be empowered to enforce such bans independently, without fear or favour, to protect public interests.

Funding by the Federal Government and 3 NCER states

In its 2019-2020 annual report, the MDBA stated that it received revenue from the Australian Commonwealth Government, contributions from jurisdictions (including contributions from 5 Australian states) and other revenue amounting to AUD192.6 million. The Australian Commonwealth Government contributed 45.4% while the 5 states contributed 38.5% to the MDBA’s revenue during the financial year. The remaining 16.1% is derived from other revenue.

A similar funding arrangement may be adopted for the proposed “Ulu Muda Basin Authority” to take on its role and responsibilities as the manager and protector of Ulu Muda.

The Malaysian Federal Government should be the major contributor, through annual Federal allocations derived from tax earning from Perlis, Kedah and Penang. As the direct beneficiaries of the proposed “Ulu Muda Basin Plan”, Perlis, Kedah and Penang may also chip in to fund the authority.

Fair and equitable management of Ulu Muda

It should be noted that in Australia, the MDBA functions as an independent body to ensure fair and equitable management of the MD Basin for all stakeholders.

It focuses specifically and holistically on managing the MD Basin at “water resource” level. Every Australian state that abstracts water from the basin manages its own in-state water supply and irrigation services independently.

The same formula should be applied for the setting up of the proposed “Ulu Muda Basin Authority” to ensure fair and equitable management of the Ulu Muda, leaving Perlis, Kedah and Penang to continue managing water supply services independently.

PBAPP TAPS SOLAR ENERGY FOR COST SAVINGS

- **Solar power cut down electricity costs at the Bukit Dumbar Reservoir and Pumping Station Compound by an average of RM22,811.00 per month.**

A solar power system at Bukit Dumbar has generated electricity bill savings averaging RM22,811.00 per month for Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) over a 6-month period.

Following the commissioning of the system on 31.7.2020, PBAPP's electricity costs dropped by RM136,868.00 for the period August 2020 - January 2021, as compared to February 2020 - July 2020. The projected cost savings for a full year is RM273,732.00.

This 1.5 MWp (megawatt peak) solar power system was installed by a Penang-based company, PSB Energy Sdn Bhd (PSB), at no cost to PBAPP.

Instead of paying for the system, PBAPP signed an agreement with PSB to pay a solar tariff of RM0.305/kWh for a tenure of 25 years. This solar tariff is lower than the commercial tariff billed by Tenaga Nasional Berhad (TNB).

PSB is also responsible for the maintenance of the system during the entire tenure of the agreement. An online monitoring system has been installed on-site to monitor the performance of the system.

To capture solar energy, a total of 4,586 photovoltaic solar panels have been installed atop the enclosed Bukit Dumbar R2 and R3 reservoirs. These panels convert the solar energy into electricity that is fed to an on-site 415V/11kV step-up power transformer.

Following the step-up process, the electricity is distributed into a power supply system for use by the Bukit Dumbar 1 and Bukit Dumbar 2 Pumping Stations.

In this manner, the electricity generated from harnessing solar energy at the Bukit Dumbar Reservoir and Pumping Station Compound is consumed within the compound for treated water pumping operations 24/7.

Please note that the yield from the solar power system is insufficient to power all the energy-intensive 24/7 water supply pumping operations in the compound. As such, PBAPP was still drawing an average of 864,197 kWh per month directly from TNB's power grid for use in Bukit Dumbar during the period August 2020 - January 2021.

Nevertheless, following the success of this pioneer green energy venture at Bukit Dumbar, PBAPP is looking at options to install similar solar power systems at its other facilities in Penang to generate more cost savings.



Bukit Dumbar Reservoir

PRESS STATEMENT : 31.3.3021

PENANG'S 3RD SET OF TWIN SUBMARINE PIPELINES ARE NOW "ONLINE"

- **The new 3rd Penang Twin Submarine Pipelines have been commissioned to deliver up to 315 million litres of treated water per day (MLD) to Penang Island.**

The 3rd Penang Twin Submarine Pipelines (3rd PTSP) have been commissioned to deliver up to 315 million litres of treated water per day (MLD), from Seberang Perai to Penang Island.

The 3rd PTSP was commissioned from 19.11.2020 as a key component of Perbadanan Bekalan Air Pulau Pinang Sdn Bhd's (PBAPP's) on-going contingency plan to ensure water supply sufficiency on Penang Island in this age of climate change.

This new set of twin submarine pipelines is delivering treated water from the Sungai Dua Water Treatment Plant (Sungai Dua WTP) in Seberang Perai to the Bukit Dumbar Reservoir and Pumping Station on Penang Island.

From Bukit Dumbar, the treated water is primarily pumped to the highly populated and economically significant southern areas of the island, including the Bayan Lepas Industrial Park. Treated water from Bukit Dumbar may be pumped to reach as far as Balik Pulau to support continuous good water supply, especially during prolonged dry seasons.

3 Sets of Twin Submarine Pipelines

The following table shows a snapshot of the key details of the 3 sets of submarine pipelines that are being managed by PBAPP in Penang:

Description	Year	Maximum capacity
1 st Penang Twin Submarine Pipelines	1973	143 MLD
2 nd Penang Twin Submarine Pipelines	1995	250 MLD
3 rd Penang Twin Submarine Pipelines	2020	315 MLD
Total combined capacity		708 MLD

In 2020, the average daily consumption of water on Penang Island was 368 MLD, or 43.6% of the total state consumption of 845 MLD.

With the 3rd PTSP in service, the combined total capacity of the 3 existing twin submarine pipelines is now 708 MLD.

3rd PTSP: Key Benefits

The commissioning of the 3rd PTSP backs up PBAPP's pledge of sustaining continuous good water supply on Penang Island, 24/7, now and in the post-Covid-19 pandemic recovery era.

In 1973, when the 1st PTSP was commissioned, the average water consumption on Penang Island was 93.3 MLD. In 2020, average water consumption on Penang Island was 368 MLD, reflecting a 394% increase in water consumption on the island over the past 48 years.

Climate change is also affecting water supply security on the island. Last year, on 5.9.2020, the effective capacities of the Teluk Bahang Dam and Air Itam Dam dropped to 16.0% and 33.3% respectively.

In view of these challenges, the key benefits of the 3rd PTSP are as follows:

- Enhanced water supply security for all domestic and trade water consumers on Penang Island: PBAPP can now pump more water safely from the Sungai Dua WTP to the island on a daily basis. The availability of more treated water helps to mitigate the risks of climate change and increasing water demand on the island.
- Mitigation of raw water risks on Penang Island during prolonged dry seasons: With more water available through the 3rd PTSP, PBAPP has the option to further minimise drawdowns from the Air Itam Dam and the Teluk Bahang Dam daily during dry seasons. This will prolong the reserves of the two dams until the rains arrive to replenish the dams from September to December yearly.

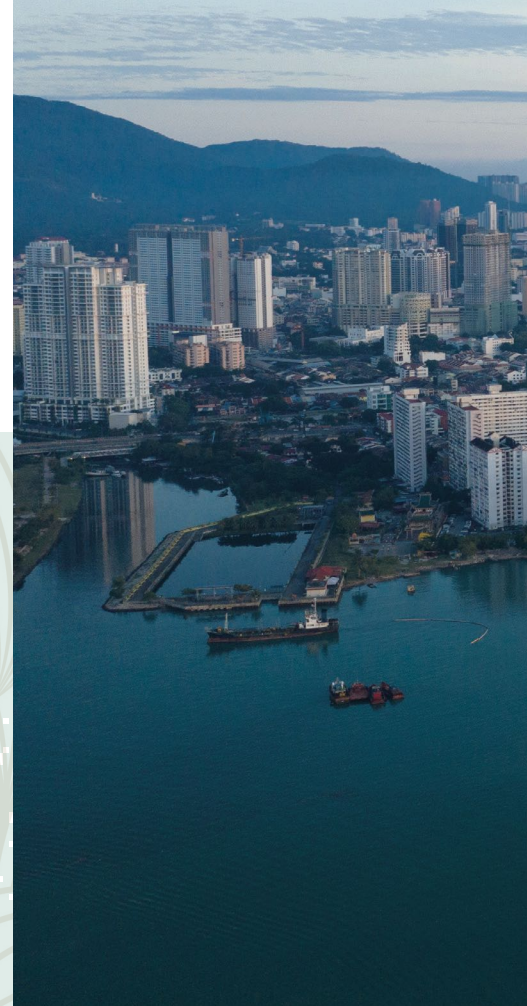
Work on the 3rd PTSP project commenced on 3.10.2016. This project was commissioned as scheduled on 19.11.2020.

The 3rd PTSP and the Expanded Mengkuang Dam (handed back to Penang on 26.10.2020 from the Ministry of Environment and Water) are the two newest key components of Penang's water supply infrastructure. Both are strategic components that will play significant roles in mitigating the risks of a water shortage in Penang state until 2025.

CEO'S MESSAGE



DATO' Ir. JASENI MAIDINSA
Group Chief Executive Officer of PBAHB and PBAPP





George Town

In 2021, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP), the main subsidiary of PBA Holdings Bhd (PBAHB), successfully sustained continuous good water supply in the State of Penang.

During the year in review, PBAPP continued to meet the needs of 658,910 registered water consumers in Penang. On average, we billed consumers for the supply of 860 million litres of treated water per day (MLD) in 2021.

Sungai Muda, which flows through Penang territory in Seberang Perai, is Penang's main raw water resource. In 2021, PBAPP abstracted 1,192 MLD of raw water from this river at the Lahar Tiang Intake.

Raw water abstracted from Sungai Muda was treated at the Sungai Dua WTP, Penang's largest and most important water supply asset. Utilising

conventional water treatment technology, the Sungai Dua WTP produces treated water that complies with public safety parameters set by the Ministry of Health, Malaysia.

Treated water from the Sungai Dua WTP was supplied throughout Seberang Perai on the mainland, as well as to Penang Island via 3 sets of twin submarine pipelines.

PBAPP data indicates the Sungai Dua WTP served more than 80% of registered water consumers in Penang, including the major multinational corporations (MNCs) and small and medium enterprises (SMEs) that operate in the Bayan Lepas, Prai and Bukit Minyak industrial parks, as well as businesses operating in George Town, Bayan Baru, Butterworth, Batu Kawan, Bertam and other key suburbs.



Sungai Dua New Office Complex

CEO's Message (Cont'd)



Sungai Dua Water Treatment Plant

On the island, the Batu Ferringhi WTP (which draws water from the Teluk Bahang Dam and catchment areas) supplied treated water efficiently in 2021 to the beachfront tourist belt areas of Tanjung Bungah, Batu Ferringhi and Teluk Bahang.

Meanwhile, the heritage Air Itam WTP also continued to meet the needs of thousands of customers in the Air Itam township, producing treated water by drawing on raw water from the Air Itam Dam, Tat's Intake and Mains Intake.

There were no major unscheduled water supply interruptions in Penang during the year in review, which turned out to be a second global pandemic year. However, PBAPP has noted that residents of a few housing areas in Seberang Perai Selatan (SPS) and Paya Terubong on Penang Island have reported issues of low water pressure and no water during peak hours. These housing areas were located on higher ground and end-of-pipeline areas.

PBAPP regards these reports as “early warning signs” for the prompt implementation of urgent infrastructure upgrading projects to meet escalating water demand.

RIISING WATER DEMAND

In 1998, the year before PBAPP was corporatised, water consumption in Penang was recorded as 536 MLD. In 2021, the registered water consumption in Penang was 860 MLD. This reflects a 60.4% increase in water consumption over 22 years.

Looking ahead, Penang water demand has been projected to increase to 1,532 MLD by 2030 and 2,178 MLD by 2050.

LIMITED IN-STATE RAW WATER RESOURCES

Penang is a relatively small state in Malaysia with a land area of 1,048 sq. km. A limited land area means that Penang has limited raw water



resources, such as rivers and streams, to tap for water supply.

As at 2021, PBAPP had already tapped all the available and viable raw water resources in Penang for conventional water treatment operations.

In fact, Penang is “over-dependent” on its one major raw water resource: Sungai Muda. More than 80% of the raw water that PBAPP abstracted daily in 2021 was abstracted from this river, at the Lahar Tiang Intake in Seberang Prai Utara, Penang.

Sungai Muda is a shared raw water resource with Kedah. A section of the centre-line of the river delineates the border between Penang and Kedah.

Penang started tapping Sungai Muda in 1973 when the second Prime Minister of Malaysia, Tun Haji Abdul Razak bin Dato’ Hussein launched the Sungai Muda Water Scheme (SMWS).

The SMWS was meant to ensure water supply sufficiency for Penang for 27 years, until 2000. It is now 2022.

THREATS RELATED TO SUNGAI MUDA

Since May 2020, the Kedah Menteri Besar (Kedah MB) has been announcing projects to exploit Sungai Muda and its water catchment area which encompasses 163,000 hectares of rainforests known as the Greater Ulu Muda Forest Complex (Ulu Muda) in Kedah.

- In May 2020, the Kedah MB “re-opened” Ulu Muda to logging companies. This move contradicts a ban on logging in the water catchment area, as announced by the previous Federal Government and Kedah State Government.
- In December 2020, the Kedah MB announced that it had approved a permit for a company to carry out non-radioactive “rare earth elements” (REE) mining in Ulu Muda.
- In March 2021, the Kedah MB announced a “TAPS Project” to build water storage facilities along Sungai Muda, upstream of PBAPP’s raw water intake at Lahar Tiang.

CEO's Message (Cont'd)

- In August 2021, the Kedah MB announced plans to build a new international airport, an “aerotropolis”, an aerospace/logistics/manufacturing hub and other property developments on 3,982.51 hectares of land adjacent to two sections of Sungai Muda’s riverbank. Besides the twin threats of environmental and river water pollution, this project’s sewerage planning report indicated that it will discharge 40 MLD of wastewater into Sungai Muda in the period 2021-2025 and 100 MLD of waste water from 2036 and beyond, just 6km upstream of PBAPP’s Lahar Tiang Intake.

Chopping down trees represents the biggest man-made threat to Ulu Muda in serving as the largest water catchment area in the Northern Corridor Economic Region (NCER). It will affect both the quantity and the quality of raw water available to Penang from Sungai Muda.

Meanwhile, the REE mining, TAPS and new international airport proposals should be regarded as threats that will affect the availability of raw water for Penang from Sungai Muda as well as the quality of the river water for conventional water treatment processes. Let there be no doubt that these projects threaten the status and sustainability of water supply services in Penang.

CLIMATE CHANGE

Due to climate change, rainfall trends in Penang’s water catchment areas have become increasingly unpredictable.

There are two key dams on Penang Island: the Air Itam Dam and the Teluk Bahang Dam. Both these dams are “service dams”. Raw water reserves are drawn down daily for conventional water treatment at nearby PBAPP plants. The treated water is stored in treated water reservoirs before being supplied to water consumers.

The Air Itam Dam is part of the Air Itam water supply system. The Teluk Bahang Dam is a key component of the “tourist belt” water supply system for Tanjung Bungah, Batu Ferringhi and Teluk Bahang.

The daily effective capacity of each dam is directly affected by the volume of rainfall in its specific water catchment area. Each dam has been built

in a strategic water catchment so that its raw reserve may be replenished by “captured” rainfall during the wet seasons.

In September 2020, the effective capacity of the Teluk Bahang Dam plummeted to a reported all-time low level of 16.0%, primarily due to abnormally low rainfall in its catchment areas over a one-year period, from 1.8.2019 to 31.7.2020. It took almost 15 months of rainfall (and diversion of raw water from 2 other water catchment areas during rainy seasons) to refill the Teluk Bahang Dam to 87.6% effective capacity in December 2021.

SPRWTS: THE “ORIGINAL” LONG-TERM SOLUTION

In 2011, the Penang State Government and PBAPP proposed the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS) to the Federal Government. It proposes to tap Sungai Perak (in Perak) as a long-term raw water resource for Penang and North Perak. As it stands in 2022, this is still the most “rational” long-term raw water solution to ensure raw water security until 2050.

- Cost-efficiency (conventional water treatment of raw water is the “cheapest” option for water supply and would generate the lowest impact on future water tariffs).
- Federal Government implementation and funding (for the raw water transfer tunnel).
- Potential high yield (the SPRWTS can deliver 1,000 – 2,000 MLD which would be sufficient to meet Penang and North Perak’s raw water needs until 2050).
- Penang would have strategic control over the quantity and quality of treated water production in Penang, to specifically address water demand and customer satisfaction in Penang.

However, the SPRWTS has been delayed for 11 years (2011 – 2022). If Penang were to continue to rely solely on the implementation of the SPRWTS, this project must be commissioned by 2030 to prevent a water crisis. Projections indicate that the implementation period for the SPRWTS is 7 years. As such, the project must kick-off by 2023.

WATER RISK & CONTINGENCY PLANS

As a relatively small island state with limited water catchment areas and unlimited socioeconomic potential, Penang's present water risk status is defined by the following 5 key factors:

1. Rising water demand;
2. Limited in-state raw water resources;
3. Threats related to Sungai Muda and Ulu Muda;
4. Climate change; and
5. The delay in the implementation of the SPRWTS.

Moreover, the 2020 Teluk Bahang Dam scenario and 2021 low water pressure reports from SPS indicate that actions should be taken to address these issues soon. It should be noted that water supply engineering projects require time for implementation and cannot be commissioned immediately.

In 2019, PBAPP had unveiled the "Penang Water Supply Initiative 2050" (PWSI 2050). In its initial form, the PWSI 2050 presented a viable roadmap for Penang to achieve raw water security until 2050, taking into account the delay in the SPRWTS.

The PWSI 2050 has since been revised to address optional future scenarios, including:

- Findings of the 2021 independent water engineering feasibility study,
- Latest water demand projections for Penang, based on PBAPP data collected over the past decade; and
- Possibility that the SPRWTS cannot be commissioned by 2030.

The long-term aspects of the PWSI 2050 are being further streamlined to address the possibility of Sungai Muda being contaminated, polluted or otherwise compromised as a raw water resource for Penang towards 2050.

For the short to medium-term, the PWSI 2050 recommends implementation of the following projects to mitigate Penang's water risks and ensure water supply sufficiency in SPS:

Proposed projects		Potential yield in MLD (million litres/day)	Projected completion
a.	Phase 2 Sungai Dua WTP sedimentation tanks upgrade	91 MLD	2022
b.	Package 12A, Sungai Dua WTP: additional new water treatment module	114 MLD	2023
c.	Phase 1, Mengkuang Dam WTP	114 MLD	2025
d.	Phase 1, Sungai Muda WTP	114 MLD	2028
e.	Sungai Perai Water Supply Scheme	136 MLD	2028

CEO's Message (Cont'd)



Teluk Bahang Dam

These pre-2030 projects have been categorised as components of Penang's "Raw Water Contingency Plan 2030" (RWCP 2030). The primary objective of the RWCP 2030 is to "buy time" for Penang until the projected commissioning of the SPRWTS in 2030.

Beyond 2030, the PWSI 2050 provides Penang with the 3 options:

1. Relying solely on the SPRWTS (if it is commissioned) as a long-term raw water resource and employing "cost-effective" conventional water treatment technology at the proposed new Sungai Kerian WTP to produce sufficient treated water for Penang until 2050;
2. Deploying desalination plants if the SPRWTS is not commissioned, to tap a theoretically unlimited supply of seawater for water supply purposes; or
3. A "hybrid SPRWTS & desalination" solution that may be customised to moderate costs

and still allow Penang to tap seawater and achieve a better level of water security (especially during dry seasons when there is less rainfall in the water catchment areas).

The primary objective of the PWSI 2050 is to achieve water security for Penang towards 2050 at all costs. In short, PBAPP has prepared a viable roadmap for Penang to avoid a water crisis over the next 30 years.

However, due to its complexity and cost implications, the PWSI 2050 is subject to review and approval by the Penang State Government.

TURNING WATER RISK INTO WATER SECURITY

Since the PWSI 2050 encompasses a number of large-scale water supply engineering projects, PBAPP is aware that the issue of cost (which will be passed on to Penang water consumers in the form of higher water tariffs in the future) will become a matter of public concern, discussion and debate.



Penang Waterfall

From PBAPP's standpoint, the following key considerations must be taken into account:

- Circumstances are such that Penang's water risk status, as at 2021, is high. In basic terms, we have not reached the "red alert" stage yet but we should be thinking and acting in "amber alert" mode. If PBAPP does not take action to address Penang's water risk soon, there will be a water crisis by or before 2030. It is just a matter of when.
- The commissioning of the SMWS in 1973 to support Penang's initial drive towards industrialisation was not "accidental" or "coincidental".

In the period 1973 – 1999, with the SMWS in place, good water supply was widely regarded as one of Penang's "assets" for socioeconomic transformation.

From 2022, we must "turn back the clock" with the PWSI 2050. We must turn Penang water supply into a "win factor" (instead of a risk factor) again, for the sake of safe post-pandemic recovery, the well-being of the people and Penang's socioeconomic progress in the future.

- Taken as a whole, the amount of investment required for the realisation of the PWSI 2050 is significant. However, it should be noted that this is a 30-year water supply engineering roadmap that is "modular". It allows for the costs, and therefore water tariffs, to be moderated and/or amortised over a 30-year period. The pace of project development and implementation may be determined by actual water demand.
- There is no substitute for water as an essential element for daily life and socioeconomic progress. If Penang has enough water, it

CEO's Message (Cont'd)

may continue to pursue a path of unlimited potential growth. If Penang does not have enough water, its growth will always be limited by risks and threats, especially external risks and threats that may be beyond the control of the Penang State Government.

- While maintaining “people-friendly” water tariffs in Penang has always been a priority, “water availability” should be prioritised over “water affordability” when a foreseeable water crisis is looming over the horizon.

SUSTAINING GOOD TREATED WATER QUALITY

PBAPP's steadfast commitment to supply the best quality treated water possible in Penang is reflected by the fact that its Central Laboratory won a 5th consecutive “IKM Excellence Award” in December 2021. PBAPP had previously received this award in 2017, 2018, 2019 and 2020.

Presented by the Malaysian Institute of Chemistry (Institut Kimia Malaysia – IKM), this award acknowledged the laboratory's accomplishments in the field of water testing in 2021. The 2021 recipients of the IKM Excellence Award were required to comply with the MS ISO/IEC 17025:2017 standard set for testing and calibration laboratories.

The scope of the PBAPP Central Lab's accreditation to this ISO standard encompasses 32 parameters, including advanced parameters such as: true colour, conductivity, alkalinity, dissolved oxygen content, biochemical oxygen demand, total suspended solids and total organic carbon.

In 2021, the Penang State Health Department and PBAPP continued to implement a joint water sampling and testing programme to ascertain the quality of Penang treated water, vis-à-vis compliance to the public safety parameters set by the Ministry of Health (MOH) in its Quality Assurance Programme (QAP).

In total, 3,100 samples of treated water were collected and tested in 2021. These samples were taken from Penang's water treatment plants (on a weekly basis) and at sampling points along the existing water supply distribution network (on a monthly basis).

Test results showed that Penang's treated water complied with the QAP. Key test parameters include turbidity, free residual chlorine, e-coli bacteria, e-coli + free residual chlorine and aluminium. In most cases, the results indicated that Penang treated water significantly “exceeded” the QAP parameters. In this context, Penang water supply may be regarded to be amongst the “cleanest, safest and healthiest” in Malaysia, even during a global pandemic year.

CONCLUSION & ACKNOWLEDGEMENTS

From the engineering and management standpoints, PBAPP continued to meet all the water supply needs of Penang in 2021.

However, we must accept and regard present circumstances, surfacing threats and consumer feedback to be indicators that work on the RWCP 2030 and PWSI 2050 projects must commence soon.

The good results achieved in 2021 must be attributed mainly to the good work of the PBAPP team. I thank my colleagues for their courage, dedication and commitment. You may not be thanked, recognised and rewarded as often, as well, and by as many people as you ought to be, but you still did good in the year under review.

I also thank the Chairman and the Board Members of PBAPP and PBAHB for their guidance and contributions; and all our stakeholders, customers and business partners for their kind understanding and support.

Our future plans have been established. The time has come for PBAPP to take the opportunity to act ahead of time, to ensure the sustainability of Penang's water supply services towards 2050.

It is time to engineer a better tomorrow for Penang, water-wise.

Thank You.

DATO' Ir. JASENI MAIDINSA
April 2022

CEO'S PROFILE



DATO' Ir. JASENI MAIDINSA

aged 64, male, Malaysian citizen
Group Chief Executive Officer of PBAHB and PBAPP

Dato' Ir. Jaseni Maidinsa was appointed as Group Chief Executive Officer (CEO) of PBAHB on 1 April 2007.

Dato' Ir. Jaseni holds a Diploma in Civil Engineering from Universiti Teknologi Malaysia (1979); a BSc. (Honours) Civil Engineering Degree from the University of Glasgow (1984); a Diploma in Management from the Malaysian Institute of Management (1991); and a Masters Degree in Business Administration from Universiti Sains Malaysia (2001). He is a registered Professional Engineer with the Board of Engineers, Malaysia (BEM), and is also a member of the Malaysian Water Association (MWA) and Institute of Engineers, Malaysia (IEM).

Dato' Ir. Jaseni has been serving in PBAPP, and previously in Pihak Berkuasa Air (PBA), for a total of 36 years. He was the Distribution and Workshop Engineer for Penang Island, PBA Penang (1985-1987), Consumer Engineer for Penang Island, PBA Penang (1987-1991), Senior Executive Engineer for Planning and Development for Penang Island, PBA Penang (1991-2001), Development Manager, PBAPP (2001-2007), General Manager, PBAPP (2007-2015) and CEO, PBAPP (2015-present day).

He holds 100,000 ordinary shares in the Company but does not hold any directorship in other public companies. He has no family relationship with any Companies' Directors and/or substantial shareholders of the Company, no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

During his tenure as General Manager and Chief Executive Officer, PBAPP was awarded the following accolades :

- **WaterLinks Award 2011**
International Award for Best Water Operator Partnership
Awarded By : WaterLinks
- **Inaugural KIA Awards 2013**
 - Water Services Operator of the Year
 - Efficiency Award
Awarded By : Ministry of Energy, Green Technology & Water (KeTTHA)
- **CAFEO 33 Award 2015**
 - ASEAN Outstanding Engineering Achievement Award 2015 (PBAPP Sungai Dua Water Treatment Plant)
 - ASEAN Outstanding Engineering Achievement Award 2015 (Dato' Ir. Jaseni Maidinsa)
Awarded By : ASEAN Federation of Engineering Organisations (AFEO)
- **Malaysia Water Industry Achievement Award 2018**
 - Best Water Treatment Plant for Sungai Dua Water Treatment Plant
 - Malaysia Water Award for Management to Dato' Ir. Jaseni Maidinsa, CEO of PBAHB & PBAPP
Awarded By : Malaysian Water Association
- **Distinguished Engineer Award 2018**
 - Dato' Ir. Jaseni Maidinsa, CEO of PBAHB & PBAPP
Awarded By : The Institute of Engineers, Malaysia
- **Penang State Government Excellent Performance Award 2017, 2018 & 2019**
Awarded By : Penang State Government
- **USM Advisory Panel for Civil Engineers**
ICAP member for School of Civil Engineering, 15.2.2019 - 21.12.2021 / 3.1.2022 - 31.12.2024
Appointed By : Universiti Sains Malaysia (USM)
- **Anugerah Perdana Menteri Tokoh Mahir 2019**
 - Dato' Ir. Jaseni Maidinsa, CEO of PBAHB & PBAPP
Awarded By : Kementerian Sumber Manusia
- **Masterclass - Icon of the Year 2019**
 - Dato' Ir. Jaseni Maidinsa, CEO of PBAHB & PBAPP
Awarded By : The Leaders Online
- **Employer Excellence Gold Award 2019**
 - Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.
Awarded By : Malaysian Employers Federation
- **The Edge Malaysia Centurion Club & Corporate Awards 2019**
 - Highest returns to shareholders over three years in the Telecommunication, Media & Utilities sector
Awarded By : The Edge Media Group
- **IKM Laboratory Excellence Award**
 - 2017 - 2021
Awarded By : Institut Kimia Malaysia

PENANG STATE WATER SUPPLY INFRASTRUCTURE



PROPOSED KULIM AIRPORT PROJECT MUST NOT JEOPARDISE WATER SUPPLY IN PENANG

- The proposed Kulim International Airport (KXP) in Kuala Muda, Kedah, is located adjacent to the riverbanks of Sungai Muda.
- An EIA report states that the construction and operational phases of the KXP and its “aerotropolis” (business, commercial and industrial park) may cause river blockages, water contamination and/or degradation of water quality.

An environmental impact assessment (EIA) report for the proposed Kulim International Airport (KXP) project in Kedah has revealed that the project may contaminate Sungai Muda and thereby jeopardise water supply services in Penang

The proposed KXP project location is in Mukim Sidam Kiri, Kuala Muda, Kedah. Based on the EIA, the major components of the KXP are the:

- Airport and airport city,
- “Aerotropolis” (a business, commercial and industrial park),
- SLAM hub (an aerospace, logistics and manufacturing hub), and
- “Other” developments (settlements, flood mitigation plans and roads).

All the major components are projected to occupy 3,982.51 hectares of land.

Sungai Muda and Penang water supply

Of particular concern is the fact that the KXP project will be located adjacent to 2 sections of the riverbanks of Sungai Muda, spanning a total length of about 14km.

Sungai Muda has served as the primary source of raw water for South Kedah and Penang since 1974.

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) abstracts more than 80% of the raw water that Penang needs daily from its Lahar Tiang Intake in Seberang Prai, about 6km downstream (as the river flows) from the proposed KXP project location.

The raw water that is abstracted at Lahar Tiang is treated at the Sungai Dua Water Treatment Plant

(Sungai Dua WTP) in Seberang Perai. In 2020, more than 80% of the treated water in Penang was produced at the Sungai Dua WTP.

Moreover, 2020 laboratory test results showed that treated water supplied in Penang is amongst the cleanest, safest and healthiest in Malaysia (even in a global pandemic year), in terms of compliance to the National Drinking Water Quality Assurance Programme set by the Ministry of Health (MOH).

As such, a massive development project along the banks of Sungai Muda must not endanger or jeopardise 24/7 water supply services that support the well-being of 1.78 million people and thousands of businesses that operate in Penang.

Kulim Airport project water quality impact assessments.

PBAPP would like to refer to the following “water quality impact assessments” as listed in page 16 of the executive summary of the EIA assessment (second schedule) prepared by AGV Environment Sdn Bhd for KXP Airport City Holdings Sdn Bhd:

Construction Phase

- Stockpiles of earth spoils, cement and sand are source of pollution if sited too near to waterways. Similarly, silt and sediments will be swept into rivers which will cause blockage of river flow causing water pollution and reduction in river depths by deposition.
- Accidental leaks and spills of construction oils during refuelling, services and storage, resulting in contamination of soil and rivers.
- Hazardous chemicals, if spilled on the ground, may enter waterways together with surface runoff and/or groundwater, resulting in toxification of water, which will kill aquatic lifeforms and any animals that drink them.
- Improper management of waste, sewage and sillage can lead to severe impacts on nearby waterways such as degradation of water quality and eutrophication (water pollution resulting from excessive concentration of phosphorous, nitrogen and other plant nutrients).

Operational Phase

- The water quality of Sungai Muda will potentially be affected by the activities at the Airport, such as aircraft refuelling, aircraft maintenance and cleaning which will generate spillages and contaminated surface runoff.
- High biocide and anti-fouling agents will be released in the cooling water blowdown at the cooling tower of the proposed airport thereby resulting in water quality impacts to the receiving waterbodies.
- Any untreated industrial wastewater from activities at the SLAM hub discharged into Sungai Muda or its tributaries will affect the water quality of Sungai Muda adversely thus impact the quality of the water at the intake points downstream of the Project site.
- High organics and ammonia from untreated STP discharge can threaten aquatic life and therefore needs to be appropriately controlled."

Kindly note that the abovementioned assessments were published in an EIA report prepared by the EIA consultant commissioned by KXP Airport City Holdings Sdn Bhd.

The Penang State Government and PBAPP were not consulted or asked for feedback on the potential risks and negative impacts of the KXP project, vis-a-vis water supply services in Penang.

This is odd in light of the fact that the Department of Environment (DOE) in the Ministry of Environment and Water (KASA) did consult PBAPP regarding the EIA assessment for a proposed "green technology paper plant" located along the banks of Sungai Muda.

In an official reply to that consultation, dated 19.7.2021, PBAPP stated that Penang and South Kedah would face a raw water threat with severe repercussions if Sungai Muda were to be contaminated (by the operations of the proposed green technology paper plant). If Sungai Muda is contaminated, PBAPP would have no choice but to stop abstracting water from the Lahar Tiang Intake to protect public health. The "fallout" would be that more than a million people in Penang would have no water supply.

PBAPP also highlighted that any effluent that is discharged into Sungai Muda must comply not only with the DOE but also MOH's water quality parameters for potable water supply.

A new airport vs. water supply sustainability

The KXP EIA report recommends various general mitigation measures including careful monitoring plans and stringent safety procedures to prevent mishaps. However, PBAPP would like to highlight the following paramount considerations:

- Sungai Muda is the primary raw water resource for Penang and South Kedah. Any mishap involving Sungai Muda would inevitably result in a water supply catastrophe in Penang and South Kedah.
- The proposed location of the Kulim Airport is not ideal. Its location, along the riverbanks of Sungai Muda, presents direct and unnecessary risks for water supply operations in Penang and South Kedah.
- Large-scale construction works, along 14km of Sungai Muda's riverbanks, represent a short to medium-term threat to water supply in Penang and South Kedah.
- The long-term operations of the airport and airport city, "aerotropolis", SLAM hub and other development components of the KXP project will represent a long-term threat to the sustainability of good water supply services in Penang and South Kedah.

In summary, PBAPP does not begrudge Kedah's ambition to pursue a new international airport project that is expected to "bring in an approximated RM3.8 billion in private investment and this amount is expected to be injected into the local economy by the provision of jobs and infrastructure."

However, an airport cannot be built in a location that places water supply services in Penang and South Kedah at high risk, now and in the future.

It would be prudent to relocate this massive project to a "safer" place, away from the banks of Sungai Muda, the primary raw water resource for Penang and South Kedah.

CORPORATE INFORMATION



PBA Holdings Bhd 200001012513 (515119-U)

BOARD OF DIRECTORS

- | | |
|---|---|
| <ul style="list-style-type: none"> • YAB TUAN CHOW KON YEOW
Non-Independent and Non-Executive Chairman • YB DATO' Ir. HAJI AHMAD ZAKI YUDDIN BIN ABD. RAHMAN
Non-Independent and Non-Executive Deputy Chairman • YB PROF. Dr. P. RAMASAMY A/L PALANISAMY
Non-Independent and Non-Executive Director • YB DATO' Dr. AHMAD JAILANI BIN MUHAMED YUNUS
Non-Independent and Non-Executive Director • YB DATO' Dr. MOHAMAD FARAZI BIN MD ZOHARI @ JOHARI
Non-Independent and Non-Executive Director • YB TUAN ZAIRIL KHIR JOHARI
Non-Independent and Non-Executive Director | <ul style="list-style-type: none"> • YB TUAN MUHAMMAD FAIZ BIN FADZIL
Non-Independent and Non-Executive Director • YB DATO' MUHAMMAD BAKHTIAR BIN WAN CHIK
Non-Independent and Non-Executive Director • YBHG. DATO' AGATHA FOO TET SIN
Senior Independent and Non-Executive Director • PUAN MARY GERALDINE PHIPPS
Independent and Non-Executive Director • YBHG. DATO' BRIAN TAN GUAN HOOI
Independent and Non-Executive Director • ENCIK HA CHARM MUN
Independent and Non-Executive Director • CIK LIM KIM SUAN
Independent and Non-Executive Director |
|---|---|



Perbadanan Bekalan Air Pulau Pinang Sdn Bhd
199901001061 (475961-X)

BOARD OF DIRECTORS

- | | |
|---|---|
| <ul style="list-style-type: none"> • YAB TUAN CHOW KON YEOW
Non-Executive Chairman • YB DATO' Ir. HAJI AHMAD ZAKI YUDDIN BIN ABD. RAHMAN
Non-Executive Deputy Chairman • YB PROF. Dr. P. RAMASAMY A/L PALANISAMY
Non-Executive Director • YB DATO' Dr. AHMAD JAILANI BIN MUHAMED YUNUS
Non-Executive Director • YB DATO' Dr. MOHAMAD FARAZI BIN MD ZOHARI @ JOHARI
Non-Executive Director | <ul style="list-style-type: none"> • YB TUAN ZAIRIL KHIR JOHARI
Non-Executive Director • YB TUAN H'NG MOOI LYE
Non-Executive Director • YB TUAN AZRUL MAHATHIR BIN AZIZ
Non-Executive Director • YB TUAN GOOI HSIAO-LEUNG
Non-Executive Director • ENCIK FAKHRUZ-ZAMAN BIN AHMAD
Non-Executive Director • YBHG. DATO' Sr. KUVENARAJU A/L PACHAPPEN
Non-Executive Director |
|---|---|



PBA Resources Sdn Bhd 200701041648 (799680-A)

BOARD OF DIRECTORS

- YBHG. DATO' Ir. JASENI BIN MAIDINSA
- ENCIK MOHAMMAD ZULKIFLI BIN ABDUL HAMID



PBA Green Technology Sdn Bhd 201801045265 (1307297-U)

BOARD OF DIRECTORS

- YBHG. DATO' Ir. JASENI BIN MAIDINSA
- Dr. MARY ANN HARRIS

COMPANY SECRETARIES

Chua Siew Chuan (MAICSA 0777689) (SSM PC NO. 201908002648)
 Thum Sook Fun (MIA 24701) (SSM PC NO. 201908000139)
 Chew Peck Kheng (LS 0009559) (SSM PC NO. 202008001118)

REGISTERED OFFICE AND BUSINESS ADDRESS

Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang.
 Tel : (604) 200 6700 Fax : (604) 200 6704
 Website : www.pbahb.com.my

SHARE REGISTRAR

Securities Services (Holdings) Sdn. Bhd.
 Suite 18.05, MWE Plaza, No. 8, Lebuhr Farquhar, 10200 George Town, Penang.
 Tel : (604) 263 1966 Fax : (604) 262 8544

AUDITORS

Grant Thornton Malaysia PLT, Chartered Accountants

PRINCIPAL BANKER

Malayan Banking Berhad, Penang

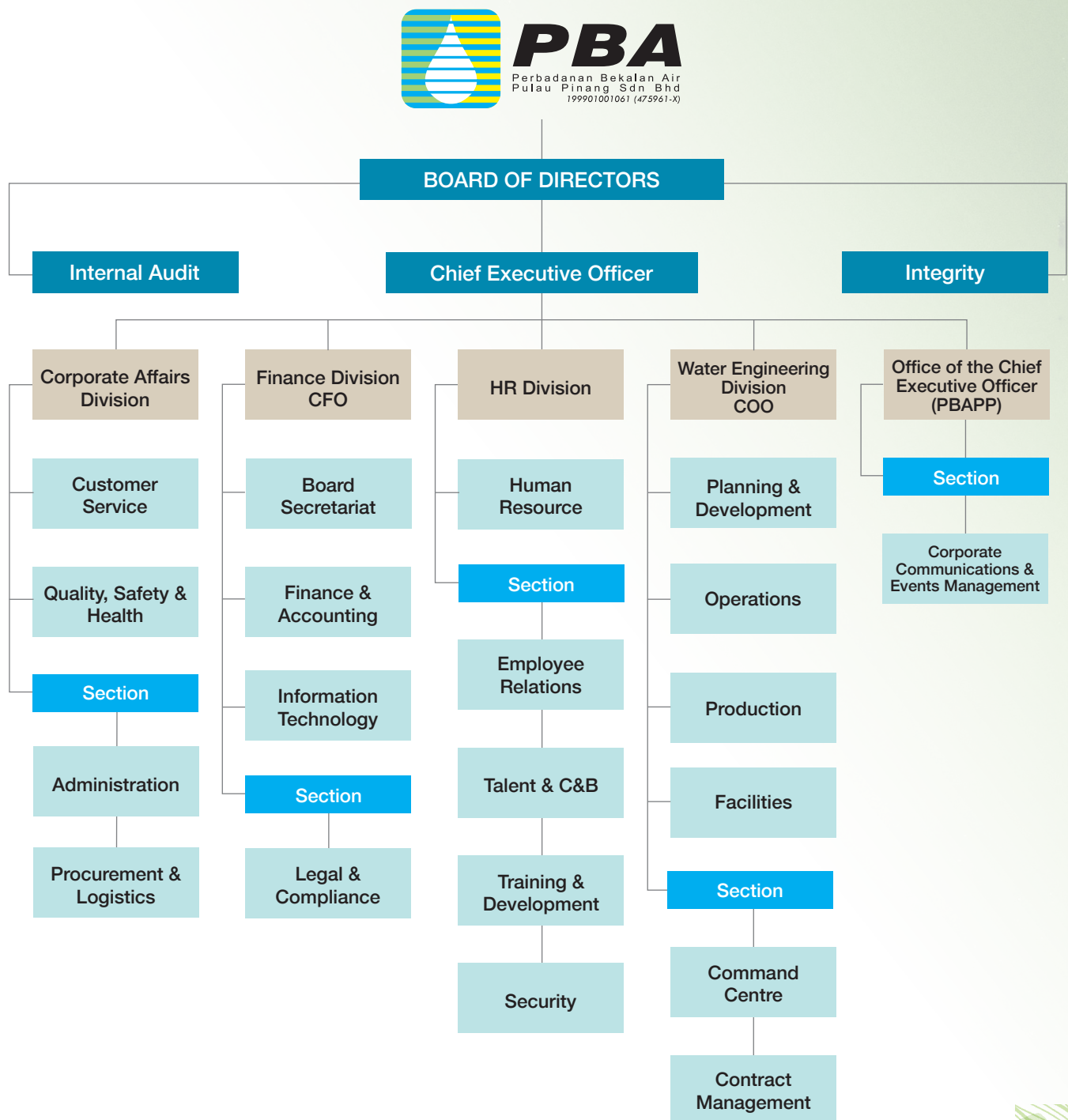
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (Utilities)
 Stock Name : PBA
 Stock Code : 5041

CORPORATE STRUCTURE



PBAPP ORGANISATION STRUCTURE

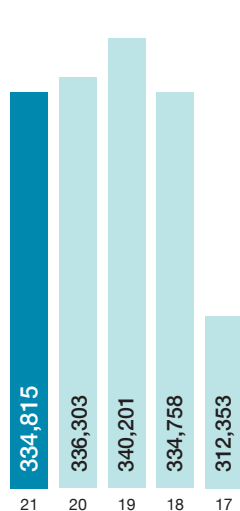


FINANCIAL HIGHLIGHTS

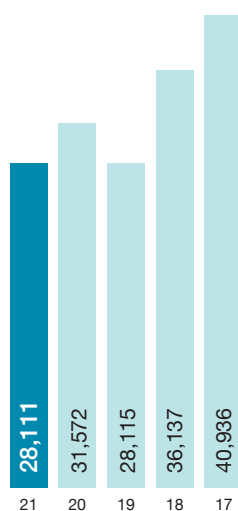
Financial Year Ended 31 December

	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000
REVENUE	312,353	334,758	340,201	336,303	334,815
PROFIT BEFORE TAX	40,936	36,137	28,115	31,572	28,111
PROFIT/(LOSS) AFTER TAX	37,280	(103,430)	25,153	24,758	36,741
PAID UP SHARE CAPITAL	327,579	327,579	327,579	327,579	327,579
SHAREHOLDERS' EQUITY	824,377	695,873	695,846	710,674	739,968
EARNINGS/(LOSS) PER SHARE - BASIC (SEN)	11.26	(31.25)	7.60	7.48	11.10
NET TANGIBLE ASSETS PER SHARE (RM)	2.49	2.10	2.10	2.15	2.23

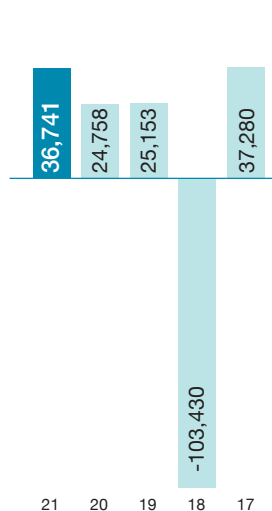
REVENUE
(RM'000)



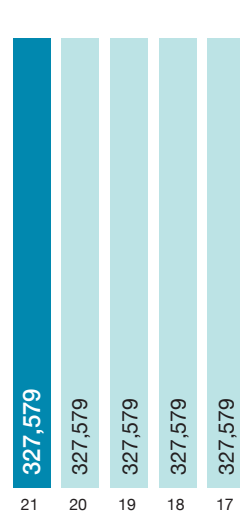
PROFIT BEFORE TAX
(RM'000)



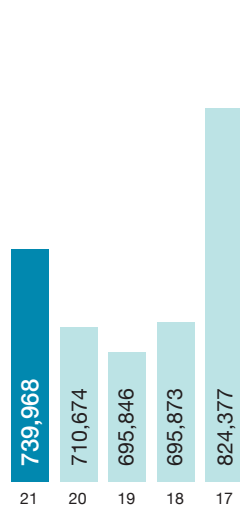
PROFIT/(LOSS) AFTER TAX
(RM'000)



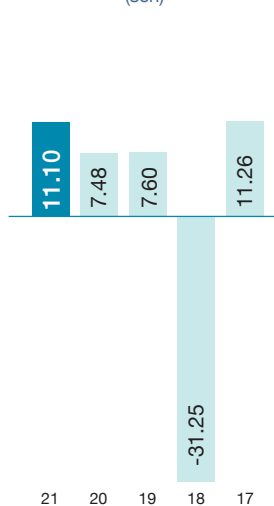
SHARE CAPITAL
(RM'000)



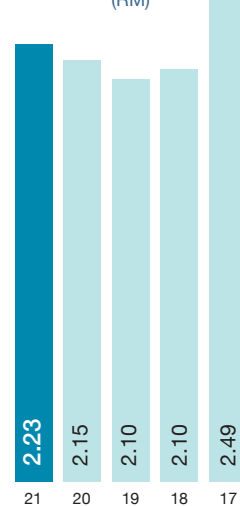
SHAREHOLDERS' EQUITY
(RM'000)



EARNINGS/(LOSS)
PER SHARE - BASIC
(sen)



NET TANGIBLE ASSETS
PER SHARE
(RM)



FINANCIAL CALENDAR 2021

FINANCIAL YEAR ENDED	31 DECEMBER 2021
21st Annual General Meeting	22 Jun 2021
Announcement of interim results • First Quarter • Second Quarter • Third Quarter • Fourth Quarter	28 May 2021 25 August 2021 23 November 2021 23 February 2022
Dividends paid and payable in 2021 Final - 31 December 2020 • Declaration • Entitlement date • Payment date	Single Tier Final Dividend of 1.00 sen per share 16 July 2021 30 July 2021
Interim - 31 December 2021 • Declaration • Entitlement date • Payment date	Single Tier First Interim Dividend of 1.25 sen per share 17 December 2021 14 January 2022
Final - 31 December 2021 • Declaration • Entitlement date • Payment date (if approved by shareholders at the forthcoming 22nd Annual General Meeting)	Proposed Single Tier Final Dividend of 1.00 sen per share 15 July 2022 29 July 2022



Batu Ferringhi Aqueduct



SAVE ULU MUDA

Ulu Muda is the most important water catchment area in the Northern Corridor Economic Region (NCER). Perlis, Kedah and Penang are dependent on raw water (rain water) collected in its 163,000 hectares of rainforests.

Kindly support our call to stop logging in Ulu Muda.

In fact, an "Ulu Muda Basin Authority" (UMBA) should be established to protect and conserve Ulu Muda...for the well-being of 4.2 million Malaysians living in 3 NCER states and the NCER economy.

More info: www.pba.com.my



Scan for video.

PRESS STATEMENT : 30.8.2021

PROPOSED DISCHARGE OF WASTEWATER FROM KULIM AIRPORT PROJECT INTO SUNGAI MUDA UNACCEPTABLE

According to documents published by the Federal Government, the proposed Kulim International Airport (KXP) and “Aerotropolis” project will discharge wastewater into Sungai Muda, the primary raw water resource for Penang and South Kedah.

The Department of Environment, under the Ministry of Environment and Water (KASA), has published the public consultation documents regarding the KXP environmental impact assessment (EIA) report online.*

In one of the linked “figures” shared on Google Drive (Figure 5.5.12), the planned location of a sewage treatment plant (STP) point is at Sungai Jerong, a tributary of Sungai Muda. This STP point is just 2km away from Sungai Muda. In all likelihood, it will discharge wastewater into Sungai Jerong, which will then flow into Sungai Muda.** Downstream of this STP point are Kedah’s 3 SADA water treatment plant intakes and 7 JPS irrigation intakes and Penang’s 1 water treatment plant intake and 2 JPS irrigation intakes.

Both online publications are accessible to the public, and viewable through the following online links:

* <https://www.doe.gov.my/portalv1/en/info-hebahan/pengumuman-teks/laporan-penilaian-kesan-kepada-alam-sekeliling-eia-bagi-projek-pembangunan-lapangan-terbang-antarabangsa-kulim-kxp-dan-kedah-aerotropolis-mukim-sidam-kiri-daerah-kuala-muda-kedah-darul-aman/330048>

** <https://drive.google.com/drive/folders/1XCJ-a95-JKMvSnkXJE2Tj4YG9-phoWst>

Unacceptable for Penang and PBAPP

The planned discharge of wastewater into Sungai Muda presents an unacceptable scenario for Penang and Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP). PBAPP abstracts raw water from Sungai Muda at its Lahar Tiang Intake daily, just 6km downstream of the point where wastewater will be discharged from the KXP project site.

More than 80% of the raw water that Penang needs daily is abstracted from Sungai Muda at the Lahar Tiang Intake in Seberang Prai.

Since 1973, when the Muda River Water Scheme was commissioned, PBAPP has been carefully monitoring the quality of raw water abstracted from Sungai Muda. Every day, we seek to minimise raw water quality risks, with our customers’ safety and good health in mind. Raw water abstracted from Sungai Muda is treated using conventional water treatment technologies at the Sungai Dua Water Treatment Plant (WTP).

The Sungai Dua WTP treats river water of acceptable quality, within the safety margins designated under the National Drinking Water Quality Assurance Programme set by the Ministry of Health. It is not equipped to deal with treating wastewater or river water with unknown or high levels of chemical/microbiological contents which may be toxic or hazardous.

As such, the Federal Government must not allow or approve a massive project that discharges wastewater into Penang’s primary raw water resource.

If anything goes wrong in the KXP project site upstream, water supply services in Penang and South Kedah will be immediately and inevitably compromised. The well-being and good health of the people must be considered as a matter of the highest priority.

PBAHB DIRECTORS' PROFILE

YAB TUAN CHOW KON YEOW

aged 63, male, a Malaysian citizen, is the Non-Independent and Non-Executive Chairman of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 22 February 2016 and was re-designated as the Chairman of the Board of Directors on 14 May 2018.

Presently, YAB Tuan Chow Kon Yeow is the Chief Minister of Penang. He graduated from Universiti Sains Malaysia ("USM") in 1984 with a Bachelor of Social Science (Honours) degree.

He started his political career in 1986 and was first elected State Assemblyman for Pengkalan Kota, Penang in 1990. He became a Member of Parliament for Tanjong, Penang from 1999 till 2013. In 2008, he was appointed as State Executive Councillor for Local Government and Traffic Management. In 2013, he was re-appointed as Penang Executive Councillor and with a new portfolio of Flood Mitigation.

He is a Chairman of the Board of Directors of Penang Development Corporation as well as the Chairman of PDC Telecommunication Services Sdn. Bhd.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YAB Tuan Chow attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.



PBAHB Directors' Profile (Cont'd)

**YB DATO' Ir. HAJI AHMAD
ZAKI YUDDIN BIN ABD. RAHMAN**

aged 63, male, a Malaysian citizen, is the Non-Independent and Non-Executive Deputy Chairman of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 1 August 2018.

He obtained his Bachelor's Degree in Civil Engineering (Honours) from the University of Salford, United Kingdom and then received his Master in Business Administration from Universiti Utara Malaysia in 1999.

Presently, he is the Deputy Chief Minister I of Penang. He started his career as Civil Engineer attached to the Public Works Department in 1982. He then joined Bertam Properties Sdn Berhad as Project Manager in 1993. In 1996, he was appointed as the Director for HLA Associates Sdn Bhd, an engineering consulting firm and subsequently as the Managing Director of Ilham Jurutera Sdn. Bhd. from 1998 to 2014.

He is a member of the Institution of Engineers Malaysia ("MIEM"), International Professional Engineer ("IntPE"), APEC Engineer and Professional Engineer as recognised by the Board of Engineers Malaysia.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Dato' Ir. Haji Ahmad Zaki Yuddin attended five (5) out of six (6) Board Meetings held in the financial year ended 31 December 2021.



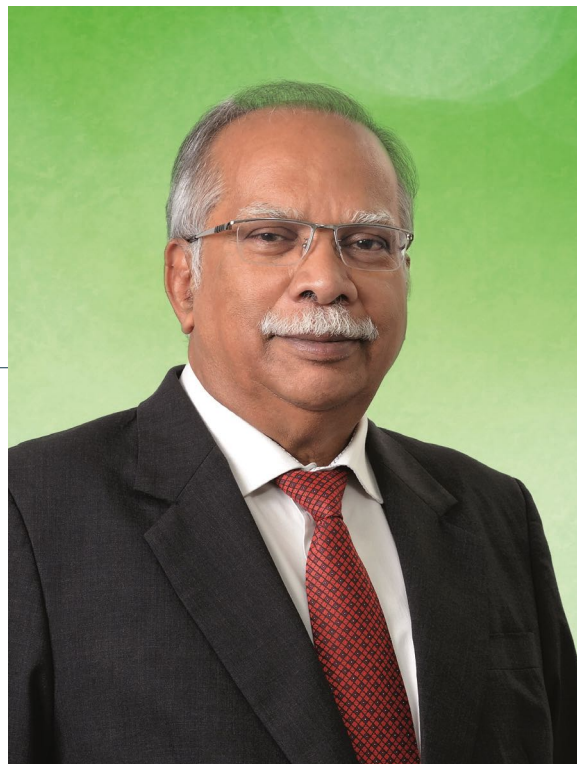
YB PROF. Dr. P. RAMASAMY A/L PALANISAMY

aged 73, male, a Malaysian citizen, is the Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 18 April 2008. He is the Chairman of the Nomination and Remuneration Committee of the Company.

Presently, YB Prof. Dr. P. Ramasamy is the Deputy Chief Minister II of Penang and a Member of the State Assembly, Perai Constituency, Penang. He also sits on the Boards of Invest-In-Penang Berhad and other Penang State Government agencies.

He obtained a Bachelor of Arts in Political Science from Indiana University, U.S.A., in 1977. He graduated from McGill University, Canada, with a Masters in Political Science and subsequently from University of Malaya with a Doctor of Philosophy (Ph.D.) in Political Science in 1991.

He joined Universiti Kebangsaan Malaysia ("UKM") in 1981. He was promoted to Associate Professor in 1993 and Professor in 1998. Following his retirement in 2005, he joined the Institute of Southeast Asian Studies, Singapore. He served as a Consultant for a number of Peace Building Organisations. In 2008, he was elected to the Democratic Action Party's ("DAP") Central Executive Committee ("CEC") and subsequently appointed as Deputy Secretary General of the party.



He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Prof. Dr. P. Ramasamy attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.

YB DATO' Dr. AHMAD JAILANI BIN MUHAMED YUNUS

aged 59, male, a Malaysian citizen, is a Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 22 February 2022.

Presently, he is the State Secretary of Penang. He obtained a Bachelor of Arts (Honours) in Geography from the University of Malaya in 1987 and a Diploma in Public Management from the National Institute of Public Administration (INTAN), Malaysia in 1992. In 1996, he received his Master in Environment and Natural Resources from the University of Malaya and obtained a Higher Diploma in Human Resource Management from the Institute for Public Service International (IPSI), Connecticut University, Connecticut, United States of America. Subsequently, he obtained a Doctor of Philosophy (Ph.D.) in Landscape Ecology and Environmental Management from Hiroshima University, Hiroshima, Japan.

He started his career at the Public Services Commission of Malaysia as an Assistant Secretary in 1992 before joining the Sabah Public Service Commission as Principal Deputy Administration Officer in 1993. In March 2000, he was appointed as Assistant Director in the Public Services Department Malaysia. He then worked as Senior Programme Coordinator at the National Institute of Public Administration (INTAN) in April 2004 and became the Head of Centre and promoted as the Head of Programme in August 2007 and January 2009 respectively. In October 2009, he became the Director of the Strategic Development of the Broadcasting Department Malaysia (RTM) and was promoted as Principal Deputy Director in October 2011. He was appointed as the Deputy Director of General Public Service (Operations) of the Public Services Department in January 2016 and promoted as the Deputy Chief Secretary (Development) of the Ministry of Rural and Regional Development in January 2016. He was appointed as the Deputy



Director General (Management) of the Royal Malaysian Customs Department in August 2017 and the Director General in National Disaster Management Agency (NADMA) in April 2018. In September 2018, he was appointed as the Chief Secretary in the Ministry of Rural Development and became the Special Placement in the Public Service Department in October 2021 before he was promoted as the State Secretary of Penang on 16 December 2021.

He is deemed to be a major shareholder of PBAHB by virtue of his position as the State Secretary of Penang. He does not have any conflicts of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Dato' Dr. Ahmad Jailani did not attend any Board Meeting of the Company held during the financial year ended 31 December 2021 as his appointment to the Board was made subsequent to the said financial year end.

YB DATO' Dr. MOHAMAD FARAZI BIN MD ZOHARI @ JOHARI

aged 57, male, a Malaysian Citizen, is a Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 4 November 2020. He is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Company.

He holds a Bachelor of Science (Honours) and Master of Science from Universiti Kebangsaan Malaysia in 1988 and 1995. He then received his Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1996. Subsequently, he obtained Doctor of Philosophy (Ph.D.) in Project Management from University of Stirling, United Kingdom.

He started his career with the Nuclear Energy Unit in the Prime Minister's Department Selangor as Research Officer from 1989 to 1994 upon his appointment as an Administrative and Diplomatic Officer (PTD). He then worked as Assistant Secretary at the Ministry of Health Malaysia Kuala Lumpur in 1994 before he assumed the post of Assistant Secretary at the Ministry of Education Malaysia, Kuala Lumpur from 1996 to 2003. In 2004, he was appointed as a Director of Management & Human Resource at National Space Agency Kuala Lumpur.

From 2004 until 2008, he furthered his studies for a Ph.D. at Stirling Management School, University of Stirling, United Kingdom before being appointed as Deputy Director (Project Management) of INTAN, Kuala Lumpur. Thereafter, he was appointed as Deputy State Secretary (Development) of Penang from 2016 to 2018 and promoted as State Development



Director ICU Prime Minister's Department on 12 September 2018. He was promoted to the post of the Penang State Financial Officer on 14 September 2020.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Dato' Dr. Mohamad Farazi attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.

PBAHB Directors' Profile (Cont'd)

YB TUAN ZAIRIL KHIR JOHARI

aged 39, male, a Malaysian citizen, is a Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 1 August 2018.

He obtained his Bachelor of Information Technology (Honours) in Information Systems Engineering from Multimedia University. He then received his Master of Arts in International Studies and Diplomacy from the School of Oriental and African Studies, University of London.

He started a chocolate manufacturing business in 2007 before joining politics in 2010. He was appointed as Special Officer to the Chief Minister of Penang from 2011 to 2012. From 2013 to 2018, he was the Member of Parliament for Bukit Bendera. Prior to his appointment as a Senior Fellow in Penang Institute in 2017, he had been holding the position as Chief Executive Officer from year 2012 to 2014 and then as Executive Director from year 2014 to 2016. He was elected as State Assemblyman for Tanjong Bunga in 2018 and currently serves as Penang State Executive Councillor in charge of Infrastructure and Transport.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Tuan Zairil Khir Johari attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.



YB TUAN MUHAMMAD FAIZ BIN FADZIL

aged 45, male, a Malaysian citizen, is the Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 19 October 2018.

He obtained his Sijil Pelajaran Malaysia (SPM) from Maktab Mahmud Alor Setar and then obtained his Bachelor Degree in Laws (Honours) from the International Islamic University Malaysia in 2001.

He started his career as Legal Associates at several legal firms, e.g. Zamani Ibrahim & Co (2002 to 2004), Zulkafli Hussin & Co (2004 to 2006) and Aris Rizal Christopher Fernando & Co (2005 to 2008). He then established his own legal firm namely Faiz Fadzil & Co in 2008. Presently, he is a Member of the State Legislative Assembly, Permatang Pasir Constituency, Penang. He also sits on the Board of Invest-In-Penang Berhad.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Tuan Muhammad Faiz attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.



PBAHB Directors' Profile (Cont'd)

YB DATO' MUHAMMAD BAKHTIAR BIN WAN CHIK

aged 56, male, a Malaysian Citizen, is a Non-Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 1 March 2021.

He holds a Bachelor of Science in Business Administration (Marketing) from University of Arizona Tucson, Arizona, United States of America in 1987.

He started his career in Malaysia Smelting Corporation Berhad as Personnel Officer from 1989 to 1990. He then worked as Human Resource Officer with Shinca Sdn Bhd prior to assuming the position as Human Resource Manager with ASE Electronics Sdn. Bhd. until 1994. He was also the Human Resource Manager of Linear Semiconductor Sdn. Bhd. from 1994 to 2013.

He was a council member for Penang Municipal Council from 2008 to 2009 and became Penang Island City Councillor from 2013 to 2018. He was the Deputy Minister of Tourism, Arts and Culture, Malaysia from July 2018 to February 2020. Presently, he is the Member of Parliament for Balik Pulau.

He is actively involved in non-governmental organisations (NGOs), as the Chairman of the Penang Human Resource Management Group from 1997 to 1998. He became Human Resource Convenor with the Free Trade Zones Penang Companies Association (FREPENCA) from 2007 to 2009. He was also appointed as Committee Member in the One Stop Centre and Planning and Development Committee from 2008 to 2009.



He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YB Dato' Muhammad Bakhtiar attended four (4) out of five (5) Board Meetings held during his tenure in office for the financial year ended 31 December 2021.

YBHG. DATO' AGATHA FOO TET SIN

aged 62, female, a Malaysian citizen, is a Senior Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). She was appointed to the Board of Directors of PBAHB on 9 June 2009. She is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Company.

She is presently also an Independent Non-Executive Director of Elsoft Research Berhad and a member of the Board of Directors of Mount Miriam Cancer Hospital. She is also a member of the Penang Freedom of Information Appeal Board.

She obtained her degree in law from the Australian National University and commenced her legal career as an Advocate and Solicitor in Canberra in 1988. She was called to the Malaysian Bar in 1990 and was in legal practice for 24 years. During her legal career, she served in the Investigating Tribunal Disciplinary Committee Panel of the Advocates and Solicitors' Disciplinary Board, the Human Rights Committee of the Malaysian Bar Council and the Legal Aid Committee of the Penang State Bar.

She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YBhg. Dato' Agatha Foo attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.



PBAHB Directors' Profile (Cont'd)

PUAN MARY GERALDINE PHIPPS

aged 73, female, a Malaysian citizen, is an Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). She was appointed to the Board of Directors of PBAHB on 21 August 2014. She serves as the Chairperson of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee of the Company.

She is a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA) of which she is a member, having qualified as a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants (MICPA). She is also a Fellow of the Chartered Tax Institute of Malaysia (CTIM).

In 1982, she was made a partner of KPMG, specializing in taxation. In 1990, she was appointed as Managing Partner of the Penang practice of KPMG, a position held until her retirement on 31 December 2004. During this time, she was also a Director of KPMG Tax Services Sdn Bhd. Her expertise is in taxation and experience in tax advisory and consultancy services covered a diversified range of industries. She was a Tax/Client Partner for multinational clients of KPMG's international offices with manufacturing facilities in Penang. She currently sits on the Boards of Oriental Holdings Berhad and SLP Resources Berhad.

She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Puan Mary attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.



YBHG. DATO' BRIAN TAN GUAN HOOI

aged 52, male, a Malaysian citizen, is an Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 13 October 2015. He is a member of both the Audit and Risk Management Committee ("ARMC") and the Nomination and Remuneration Committee of the Company.

He holds a Bachelor of Accounting Degree (1st Class Honours) from the University of Malaya in 1993. He was awarded the Excellence Award for Best Accounting Graduate by the Malaysian Institute of Certified Public Accountants for his outstanding academic performance in 1993. In 1998, he obtained the Masters of Business Administration MBA (with Distinction) from University of Science, Malaysia ("USM"). He is a Chartered Accountant registered with the Malaysian Institute of Accountants, a Fellow of the Certified Practising Accountant ("FCPA") registered with the CPA Australia and a CPA registered with ASEAN CPACC. Brian was conferred the Darjah Setia Pangkuan Negeri (DSPN) which carries the title Dato' by the Governor of Penang in 2017.

Currently, he is the President & Chief Executive Officer (CEO) of Fumakilla Malaysia Berhad and Fumakilla Asia Sdn Bhd with operations in the ASEAN region i.e. Malaysia, Vietnam, Thailand, Myanmar and Cambodia. He is based in Fumakilla Malaysia Berhad as the President & CEO for the Malaysian operations. Penang is where the Manufacturing Operations and the Regional Research and Development organisation of Fumakilla is located, while the Malaysian Sales & Marketing Operations is based in Petaling Jaya.

He is active in the field of education and he served in the Advisory Panel of Curriculum for the Management School of USM from 2003 to 2006. In 2011, he was awarded the Lifetime Membership Award by the Asian Academy of Management of USM in recognition of his contribution to the field of academic development at the Management School of the University.



He serves on the board of Malaysian International Chamber of Commerce (MICCI) for Northern Branch representing Penang, Kedah and Perlis since 2004 until today. In 2011, he was the Deputy Chairman of MICCI (Northern Branch) and in 2015, he was elected as the Branch Chairman, until the terms' statutory limit and he stepped down at the end of 2017. In 2019, he was appointed into the Executive Council of the Malaysian Crop Life & Public Health Association (MCPA). He was appointed as the ARMC member of Penang Development Corporation. He currently also sits in the Advisory Panel of Penang Hill Corporation Sdn. Bhd.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

YBhg. Dato' Brian Tan attended all the six (6) Board Meetings held in the financial year ended 31 December 2021.

PBAHB Directors' Profile (Cont'd)

ENCIK HA CHARM MUN

aged 62, male, a Malaysian Citizen, is an Independent and Non-Executive Director of PBA Holdings Bhd ("PBAHB"). He was appointed to the Board of Directors of PBAHB on 1 March 2021. He is a member of both the Audit and Risk Management Committee and the Nomination and Remuneration Committee of the Company.

He holds a Bachelor of Science, major Mechanical Engineering from University of Sussex, United Kingdom.

He began work in 1982 as a Mechanical Engineer in the sugar industry with Malayan Sugar Manufacturing Co. Bhd., a cane sugar refiner, and handled mainly plant maintenance, operations and project work. Between 1992 and 2002, he worked in the petrochemical industry in the plant maintenance function; initially at an adipic acid production facility under Du Pont Singapore Pte. Ltd., and later from 1999 at a styrene monomer plant under Idemitsu SM Malaysia Sdn. Bhd. In 2002, he re-joined Malayan Sugar Manufacturing / MSM Prai as part of the senior management team, and oversaw the operations of the whole refinery. From 2004 to 2015, he served as the Factory General Manager and as Senior General Manager / CEO from 2015 until his departure in 2017. From 2017 to 2018, he was engaged as a Technical Consultant in a new sugar refinery construction project.



He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Encik Ha Charm Mun attended all the five (5) Board Meetings held during his tenure in office for the financial year ended 31 December 2021.

CIK LIM KIM SUAN

aged 60, female, a Malaysian citizen, is an Independent Non-Executive Director of PBA Holdings Bhd ("PBAHB"). She was appointed to the Board of Directors of PBAHB on 1 July 2021. She is a member of both the Audit and Risk Management Committee and the Nomination and Remuneration Committee of the Company.

She holds a Bachelor of Science (Honours) in Mathematics from University of Malaya in 1984 and then obtained her Master in Business Administration from University Science Malaysia in 1993.

She started her career as an Executive Officer in the banking industry in 1985 with United Asian Bank Berhad. With the merger of the banks in the early 90s, she was promoted as Branch Manager at Bank of Commerce in 1993. She then moved on to Hong Leong Bank in 1995 and subsequently joined EON Bank in 2002. As Branch Manager in these banks, she oversaw the administration and operations of the branches besides ensuring the growth and profitability.

In 2004, she joined Alliance Bank Malaysia Berhad as part of the senior management team, leading and managing branches in the Northern States of Malaysia. As the Regional Manager, she is responsible for building business strategies, risk management, setting goals and performance objectives for the region besides managing stakeholder relations and ensuring legal and regulatory compliance.



She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Cik Lim Kim Suan attended all the two (2) Board Meetings held during her tenure in office for the financial year ended 31 December 2021.



AIR ITAM WATER TREATMENT PLANT

The Air Itam reservoir has been in service since 1914. The “original” water treatment plant was commissioned in 1934 and the current “modern” water treatment plant was added in 1963.

Reservoir maximum capacity:
18.86 million litres

Maximum treatment capacity :
76.0 million litres

Service area :
Air Itam



Watch video.



GUILLEMARD RESERVOIR

Situated 75 metres above sea level on a tranquil hillock in Tanjung Bungah, the Guillemard Reservoir was commissioned in 1929. This heritage reservoir stores water treated from the Guillemard water treatment plant and the Batu Ferringhi water treatment plant.

Reservoir maximum capacity:
34.35 million litres

Sources of treated water :
Guillemard Water Treatment Plant &
Batu Ferringhi Water Treatment Plant

Service areas :
Tanjung Bungah, Tanjung Tokong,
Mount Erskine & Pulau Tikus.



Watch video.

PRESS STATEMENT : 4.12.2021

5TH CONSECUTIVE “EXCELLENCE AWARD” FOR PBAPP CENTRAL LABORATORY

PBAPP's Central Laboratory (Central Lab) in the Sungai Dua Water Treatment Plant has received its 5th consecutive “IKM Excellence Award”.

Presented by the Malaysian Institute of Chemistry (Institut Kimia Malaysia – IKM), this award acknowledged the laboratory's accomplishments in the field of water testing (raw water, settled water and treated water) in 2021.

PBAPP received the award from the Minister of Science, Technology and Innovation, Dato' Seri Dr. Adham bin Baba, at the Berjaya Times Square Hotel in Kuala Lumpur yesterday. PBAPP had also previously received this award in 2017, 2018, 2019 and 2020.

It should be noted that 2021 recipients of the IKM Excellence Award must comply with the MS ISO/IEC 17025:2017 standard set for testing and calibration laboratories.

The scope of the PBAPP Central Lab's accreditation to this ISO standard encompasses 32 parameters, including advanced parameters, such as: true colour, conductivity, alkalinity, dissolved oxygen content, biochemical oxygen demand, total suspended solids and total organic carbon.

In this context, the daily operations of this multiple award-winning laboratory supports PBAPP's

unwavering commitment towards supplying healthy and high quality treated water quality in Penang.

The PBAPP Central Lab is equipped with high-tech equipment including:

- An inductively-coupled plasma optical emission spectrometer (ICPOES)
- An ultraviolet-visible (UV-VIS) spectrophotometer
- A total organic carbon (TOC) analyser

Test results for Penang treated water

In 2020, during the national Covid-19 movement control orders, the majority of 1.776 million people in Penang depended on treated water supply from PBAPP to their homes for drinking, cooking, washing, cleaning and bathing.

In total, 3,100 samples of treated water were collected and tested in 2021. The test results for the 3,100 samples showed that Penang's treated water complied with the MOH's QAP. Key test parameters include turbidity, free residual chlorine, e-coli bacteria, e.coli + free residual chlorine and aluminium.



PBAPP Central Laboratory

CORPORATE CALENDAR 2021

22 June 2021

Q&A SESSION



A FULLY VIRTUAL AGM 2021

PBA Holdings Berhad conducted its 21st Annual General Meeting (AGM) on a fully virtual platform on 22nd June 2021, in compliance with Malaysia's extension of the "Movement Control Order 3.0" (MCO 3.0), from 15.6.2021 to 28.6.2021.

The meeting was presided by YAB Tuan Chow Kon Yeow, Penang Chief Minister who is also Chairman of PBA Holdings Bhd. 47 shareholders and proxyholders participated in the AGM. During the 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 20th consecutive year in which PBAHB (Stock Reference: PBA – 5041) pays dividends to shareholders. The Company has paid dividends every year since 2002.

During the year in review, PBAHB recorded a profit after tax (PAT) of RM24.76 million for its 2020 financial year.



CORPORATE CALENDAR 2021

3 December 2021



5TH CONSECUTIVE IKM EXCELLENCE AWARD FOR PBAPP CENTRAL LABORATORY

PBAPP's Central Laboratory (Central Lab) in the Sungai Dua Water Treatment Plant has received its 5th consecutive "IKM Excellence Award". Presented by the Malaysian Institute of Chemistry (Institut Kimia Malaysia – IKM), this award acknowledged the laboratory's accomplishments in the field of water testing (raw water, settled water and treated water) in 2021.

PBAPP received the award from the Director General of IKM, Dato' Hj Mohamed Zaini Abdul Rahman, at the Berjaya Times Square Hotel in Kuala Lumpur on 3.12.2021. PBAPP had also previously received this award in 2017, 2018, 2019 and 2020.

In September 2021, IKM re-audited this laboratory and deemed to be technically competent for the analysis of water samples. It should be noted that 2021 recipients of the IKM Excellence Award must comply with the MS ISO/IEC 17025:2017 standard set for testing and calibration laboratories.

The scope of the PBAPP Central Laboratory's accreditation to this ISO standard encompasses 32 parameters, including advanced parameters such as: true colour, conductivity, alkalinity, dissolved oxygen content, biochemical oxygen demand, total suspended solids and total organic carbon.

In this context, the daily operations of this multiple award-winning laboratory supports PBAPP's unwavering commitment towards supplying healthy and high quality treated water quality in Penang. The Central Laboratory in the QSH Department is manned by 12 personnel, inclusive of 2 chemists.





CONSERVING A HISTORICAL STONE FOR PENANG

The Penang State Government will conserve and protect a boundary marker stone in Pinang Tunggal, Seberang Perai, as a valuable relic.

This stone is not known to many people. Nevertheless, its existence serves as a reminder of the events that led to the formation of Malaysia as a nation and Penang as one of its component states.

Penang Chief Minister YAB Tuan Chow Kon Yeow and H.E. Mr. Raschada Jiwalai, Consul General of the Royal Thai Consulate-General, Penang visited Pinang Tunggal to view the stone yesterday. They were accompanied by Deputy Chief Minister 1, Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abdul Rahman, Deputy Chief Minister II, Prof. Dr. P. Ramasamy, Seberang Perai City Council Mayor, Datuk Rozali Mohamud and PBA Holdings Bhd and PBAPP CEO, Dato' Ir. Jaseni Maidinsa.

The inscription on the stone reads: "British and Siamese boundary" in English, Thai and Jawi. It is believed to have been set up by the British in 1869, following a treaty "respecting Kedah between Great Britain and Siam."

At that time, Penang was known as a British "Straits Settlement" while Kedah was under the influence of the Kingdom of Siam. Besides defining a historical boundary, the stone may be regarded as an important marker in the histories of Penang and Malaysia.

- 1.2.1948: The Federation of Malaya was formed, with 9 Malay states and 2 British Straits Settlements (Penang and Malacca), all mentioned individually.
- 31.8.1957: The Federation of Malaya gained independence from the British Government.
- 16.9.1963: Independent Malaya united with the then British Crown Colonies of North Borneo (Sabah), Sarawak and Singapore to become "Malaysia".

Article 1.2 in Part 1 of the Federal Constitution of Malaysia states the following: "The States of the Federation shall be Johore, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Sabah, Sarawak, Selangor and Terengganu."

Clearly, Penang's status as a standalone state in Malaysia is not only enshrined in the Federal Constitution; it has been set in stone since 1869 near Sungai Muda in Pinang Tunggal. With this in mind, the 1869 boundary marker stone will be conserved and protected to remind all Penangites about the reality and facts behind the history of their home state.

WATER SAVING TIPS

1

Never leave a tap running.



2

Teach your children to shut taps properly.



3

Fix all leaking taps, pipes or toilet systems in your home immediately.



4

Avoid using a hose as far as possible. Hosing usually wastes water.



5

Wash your car or motorcycle less often. Use a bucket and a damp cloth or sponge.



6

Water your plants with a watering can. Water your plants at the roots, not the leaves.



7

Mop your floor instead of using a hose or splashing water from a bucket.



8

Sweep your porch or driveway outside your home instead of using a hose.



9

Turn off the tap when brushing your teeth. Turn it on only to rinse.



10

Turn off the shower when you are soaping your body. Turn it on only to rinse.



AWARDS & CERTIFICATIONS



Anugerah Kualiti

Year : 1991
Awarded By :
Ketua Pengarah MAMPU



Anugerah Pejabat Terbaik Negeri Pulau Pinang

Year : 1991
Awarded By :
Kerajaan Negeri Pulau Pinang



Anugerah Khas Perkhidmatan Awam Anugerah Pengurusan Kewangan

Year : 1992
Awarded By : JPA



Anugerah Khas Perkhidmatan Awam Anugerah Pengurusan Teknologi Maklumat

Year : 1993
Awarded By : JPA



Anugerah Kualiti Ketua Menteri Pulau Pinang

Year : 1993
Awarded By :
Kerajaan Negeri Pulau Pinang



MWA Outstanding Water Award for Management 2001

Year : 2001
Awarded By :
The Malaysian Water Association



Silver Award - OSH Awards

Year : 2001
Awarded By :
Malaysian Society for Occupational Safety & Health



Gold (Class II) OSH Awards

Year : 2006
Awarded By :
Malaysian Society for Occupational Safety & Health



ISO 9001 : 2015 Quality Management System Certification

Treatment and Supply of Potable Water with Provision of Customer Services

Obtained Since : 2003
Accredited By : SIRIM QAS International



ISO 14001 : 2015 Environmental Management System Certification

Management and Treatment of Raw Water and Supply of Potable Water

- PBAPP (Headquarter) KOMTAR
 - Batu Ferringhi Water Treatment Plant
 - Teluk Bahang Dam
 - Waterfall Water Treatment Plant
 - Air Itam Water Treatment Plant
- Obtained Since : 2005
Accredited By : SIRIM QAS International



OHSAS 18001 : 2007 OHS Management System Certification

Treatment and Supply of Potable Water with Provision of Customer Services

Obtained Since : 2006
Accredited By : SIRIM QAS International



MS ISO/IEC 17025 : 2017 Competent Testing PBA Central Laboratory Sungai Dua Water Treatment Plant

Obtained Since : 2008
Accredited By : Standard Malaysia



2011 WaterLinks Award

2011 International Award for Best Water Operator Partnership

Year : 2011
Awarded By : WaterLinks



MS/ISO/IEC 27001 : 2013

Information Security Management System for the Management and Treatment of Potable Water at Sungai Dua Water Treatment Plant

Obtained Since : 2013
Accredited By : SIRIM QAS International

Awards & Certifications (Cont'd)

Inaugural KIA Awards

- Water Services Operator of the Year
- Efficiency Award

Year : 2013

Awarded By :
Ministry of Energy,
Green Technology & Water

**CAFEO 33 Award**

ASEAN Outstanding Engineering
Achievement Award 2015
- PBAPP Sungai Dua Water
Treatment Plant

ASEAN Outstanding Engineering
Achievement Award 2015
- Dato' Ir. Jaseni Maidinsa

Year : 2015

Awarded By :
ASEAN Federation of
Engineering Organisations

**Penang Green Office Award**

Year : 2016

- KOMTAR Customer Care Centre
- Bayan Baru Customer Care Centre

Year : 2017

- Bukit Mertajam Customer Care Centre
- Taman Selat Customer Care Centre
- PBA Central Laboratory, Sungai Dua Water Treatment Plant

Awarded By : Penang Green Council

**Champion Contingent
National Level Workers' Day
Gathering 2017**

Year : 2017

Awarded By :
Ministry of Human Resources

**MSOSH Gold
(Class II) Award
for Batu Feringghi
Water Treatment Plant**

Year : 2016

Awarded By :
Malaysian Society
for Occupational
Safety & Health

**Champion Contingent
Private Sector &
NGOs Category
Penang State Level -
60th National Day March**

Year : 2017

Awarded By :
Penang State Government

**"Innovation Award"
1st Runner-Up
"Conversion of Sungai Dua
Water Treatment Plant
Residue into Clay Bricks"**

Year : 2017

Awarded By :
International Greentech &
Eco Products Exhibition
& Conference Malaysia
2017.

**Innovation Award 2016
(Non-ICT Category)
Champion**

"Conversion of Sungai Dua Water
Treatment Plant Residue into
Clay Bricks"

Year : 2017

Awarded By :
Penang State Government

**Champion Contingent
Maulidur Rasul
Celebration Event
Penang State Level**

Year : 2017

Awarded By :
Penang State
Government

**IKM Excellence
Award 2017**

for Central Water Laboratory,
Sungai Dua Water
Treatment Plant.

Year : 2017

Awarded By :
Institute Kimia Malaysia
(Malaysian Institute of Chemistry)

**Best Department Achievement Incentive
(Insentif Pencapaian Terbaik Jabatan)**

Year : 2017

Awarded By :
Penang State Government

**National Level Workers' Day
Gathering 2018 - 3rd Place**

Year : 2018

Awarded By :
Ministry of Human Resource

Awards & Certifications (Cont'd)



MSOSH Gold (Class 1) Award

- Batu Ferringhi Water Treatment Plant
- Bukit Toh Allang Water Treatment Plant

Year : 2018
Awarded By :
Malaysian Society for Occupational
Safety & Health



MWA Water Industry Achievement Award 2018 "Best Water Treatment Plant"

- Sungai Dua Water Treatment Plant

Year : 2018
Awarded By :
Malaysian Water Association



Malaysia Water Award for Management 2018

- Chief Executive Officer,
Dato' Ir. Jaseni Maidinsa

Year : 2018
Awarded By :
Malaysian Water Association



Penang State Level – 61st National Day March

- 3rd Place – Private Sector &
NGOs Category

Year : 2018
Awarded By :
Penang State Government



Enterprise Risk Management Business Continuity Management

- Excellence Award 2018

Year : 2018
Awarded By :
Tricor Roots Consulting



Distinguished Engineer Award

- Chief Executive Officer,
Dato' Ir. Jaseni Maidinsa

Year : 2018
Awarded By :
Institute of Engineers, Malaysia



Penang Green Office Awards

- PBAPP Corporate Affairs Division,
KOMTAR
- PBAPP Human Resource Division,
KOMTAR

Year : 2018
Awarded By :
Penang Green Council



IKM EXCELLENCE AWARD 2018

for Central Laboratory,
Sungai Dua Water
Treatment Plant.

Year : 2018
Awarded By :
Institut Kimia Malaysia
(Malaysian Institute of Chemistry)



Best Department Achievement Incentive (Insentif Pencapaian Terbaik Jabatan)

Year : 2018
Awarded By :
Penang State Government



Best Department Achievement Incentive (Insentif Pencapaian Terbaik Jabatan)

Year : 2019
Awarded By :
Penang State Government



Anugerah Perdana Menteri Tokoh Mahir 2019

- Chief Executive Officer,
Dato' Ir. Jaseni Maidinsa

Year : 2019
Awarded By :
Ministry of Human Resources



Champion Contingent National Level Workers' Day Gathering 2019

Year : 2019
Awarded By :
Ministry of Human Resources

Awards & Certifications (Cont'd)



Regional Convention on Team Excellence, Northern Region 2019 - Gold Award

Year : 2019
Awarded By :
Malaysia Productivity Corporation



MSOSH OSH Gold Merit Award

- Batu Ferringhi Water Treatment Plant

Year : 2019
Awarded By :
Malaysian Society for Occupational Safety & Health



MSOSH OSH Gold Class 1 Award

- Bukit Toh Allang Water Treatment Plant

Year : 2019
Awarded By :
Malaysian Society for Occupational Safety and Health (MSOSH)



Penang Top Achievers Award - Industry Excellence in Public Service

- PBAPP

Year : 2019
Awarded By :
The Leaders Online



Masterclass - Icon of the Year

- Chief Executive Officer, Dato' Ir. Jaseni Maidins

Year : 2019
Awarded By :
The Leaders Online



Penang Green Office Award

- PBAPP Level 33 (CFO Office, Finance Office & QSH Office)
- Jawi Customer Care Centre

Year : 2019
Awarded By :
Penang Green Council



Employer Excellence Gold Award 2019

Year : 2019
Awarded By :
Malaysian Employers Federation



The Edge Malaysia Centurion Club & Corporate Awards 2019

- Highest Returns to Shareholders over Three Years in the Telecommunication, Media & Utilities sector

Year : 2019
Awarded By :
The Edge Media Group



IKM Laboratory Excellence Award 2019

Year : 2019
Awarded By :
Institut Kimia Malaysia



IKM Laboratory Excellence Award 2020

Year : 2020
Awarded By :
Institut Kimia Malaysia



IKM Laboratory Excellence Award 2021

Year : 2021
Awarded By :
Institut Kimia Malaysia



Penang Green Office Award

- Air Itam Water Treatment Plant
- Batu Ferringhi Water Treatment Plant
- Waterfall Water Treatment Plant
- PBAPP Central Laboratory

Year : 2021
Awarded By :
Penang Green Council



Penang Green Office Award

- Bukit Mertajam Customer Care Centre
- Jawi Customer Care Centre
- Taman Selat Customer Care Centre
- PBAPP Level 33 (CFO Office, Finance Department & QSH Department)

Year : 2021
Awarded By :
Penang Green Council

PENANG DAMS FILLED UP AHEAD OF 2022 DRY SEASON

- **High volumes of rainfall recorded in the water catchment areas of Penang's 3 main dams since July 2021.**

The effective capacities of Penang's 3 main dams have reached healthy levels ahead of the 2022 dry season:

Dams	% Effective capacity (17.12.2021)	Maximum effective capacity (millions of litres – ML)	Rainfall in mm (1.7.2021 to 17.12.2021)
Air Itam Dam	88.7	2,159	1,440.3
Teluk Bahang Dam	87.6	18,240	1,733.5
Mengkuang Dam	93.9	86,400	3,579.0

Since daily water consumption in Penang has remained relatively stable, the primary reason is high volumes of rainfall in the dam water catchment areas, over the past 6 months since July 2021.

This phenomenon proves that rainfall is the key factor for the refilling of Penang's dams to healthy levels.

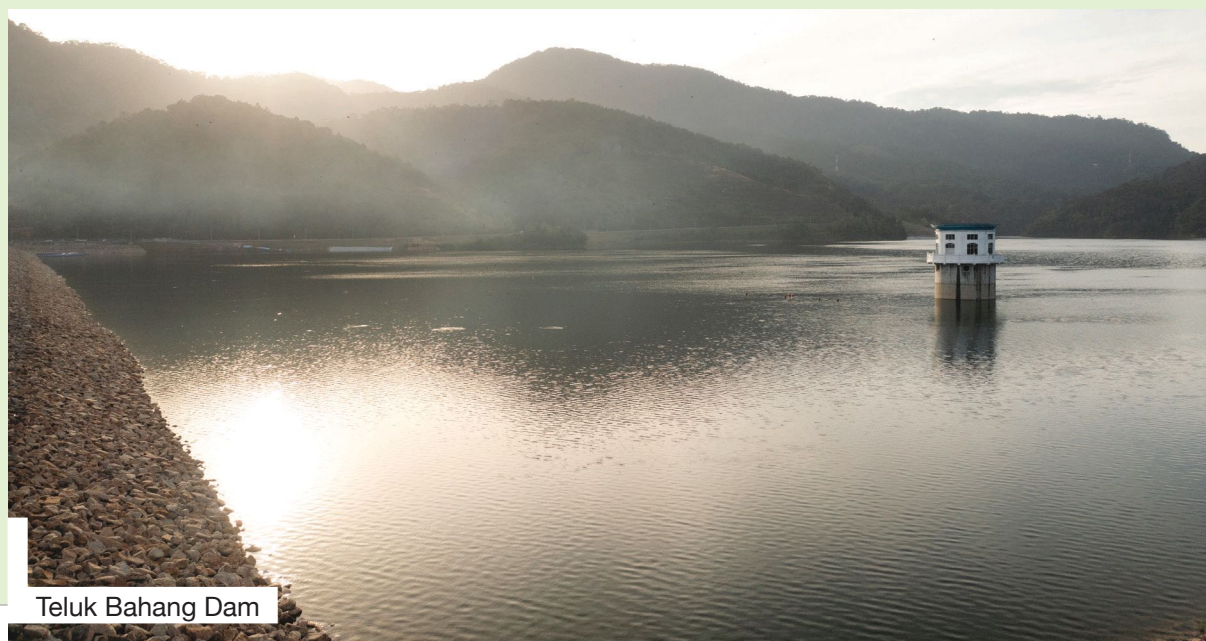
The present dam status also reflects the fact that there is nothing significantly wrong with Penang's dams and water catchment areas.

Comparative analysis year-on-year

From the water supply engineering standpoint, the Teluk Bahang Dam has “recovered” as at December 2021, while the Air Itam Dam has been refilled to “safe levels” on time.

Unlike the Air Itam Dam and Teluk Bahang Dam which are “daily use dams”, the Mengkuang Dam functions primarily as a “strategic drought reserve”.

Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) taps its reserves during dry seasons when it is unable to abstract sufficient raw water from Sungai Muda and when the dam capacity nears 100%. As such, PBAPP has been “stabilising” the Mengkuang Dam’s effective capacity in 2021.



Teluk Bahang Dam

Kindly note the following:

Dams	% Effective capacity (5.9.2020)	% Effective capacity (17.12.2021)	% Difference in effective capacity
Air Itam Dam	33.3%	88.7	55.4
Teluk Bahang Dam	16.0%	87.6	71.6
Mengkuang Dam	88.0%	93.9	5.9

- The maximum effective capacity of the Air Itam Dam (2,159 ML) is significantly less than that of the Teluk Bahang Dam (18,240 ML). As such, it takes much more rainfall to refill the Teluk Bahang Dam.
- On 5.9.2020, the effective capacity of the Teluk Bahang Dam was 16.0%, due to low rainfall in its water catchment areas over a 13-month period (from August 2019 to September 2020).
- In terms of effective capacity, it took more than 15 months for the Teluk Bahang Dam to “recover”, from 5.9.2020 to 17.12.2021.

Preparations for 2022

Penang's dams are in relatively good shape as we prepare for the first dry season of 2022, which is projected to commence from January.

However, due to climate change, the arrival of the first wet season of 2022 to refill the dams (after the dry season) may no longer be safely predicted.

PBAPP will continue to plan ahead to ensure water supply sufficiency in 2022. To be prudent, we will continue to monitor rainfall, dam effective capacities and the river level of Sungai Muda on a daily basis. We will also implement water supply “dry weather controls” from January 2022.

PBAPP encourages all Penang water consumers to continue to use water wisely in the new year.

We need your kind cooperation and support to ensure that there is sufficient water supply for everyone in 2022, as Penang strives to recover effectively from the Covid-19 pandemic and its socioeconomic effects.



Air Itam Dam

PENANG'S HISTORY AND RIGHTS DOCUMENTED IN TREATIES, AGREEMENTS AND THE FEDERAL CONSTITUTION

Penang's past was shaped by historic treaties and agreements; and its rights are enshrined in the Constitution of Malaysia.

For 131 years, in the period 1826 to 1957, Penang was acknowledged to be one of the British "Straits Settlements". Kedah, on the other hand, was recognised separately as a "Malay State" during the British colonial era.

https://en.wikipedia.org/wiki/Straits_Settlements

In more recent times, on 31.12.1985, the Kedah and Penang (Alteration of Boundary) Act 1985 (Act 325) was gazetted and included as an Act in Article 2 of the Constitution of Malaysia. This Act realigned one of the states' boundaries to the "centre line" of Sungai Muda. http://www.commonlii.org/my/legis/consol_act/kapoba1985328/

British acquisition of Penang

On 17.7.1786, Capt. Francis Light of the British East India Company (EIC) landed on Penang Island after negotiating an agreement with Sultan Abdullah Mukarram Shah of Kedah. Back then, the island was described as "one vast jungle of nearly 107 square miles (277 sq. km), with a population of only fifty-eight souls".

The Sultan had agreed to cede Penang Island to the EIC in exchange for British military assistance when Kedah is attacked by enemies and a lease amount of 6,000 Spanish dollars per year.

In 1786, Siam defeated the Sultanate of Patani and reclaimed Kedah as a tributary state. Sultan Abdullah had demanded military assistance from the EIC when Siam attacked Kedah. The EIC did not provide assistance. In 1791, the Sultan decided to mount an attempt to retake Penang from the British.

https://en.wikipedia.org/wiki/Francis_Light

https://en.wikipedia.org/wiki/History_of_Penang

Treaties, agreements and the Federal Constitution

The subsequent reality behind Penang's history is reflected in the following official documents:

1.5.1791: Kedah-British Treaty of Peace and Friendship (Sultan Abdullah Mukarram Shah of Kedah and Capt. Francis Light)

The East India Company (EIC) officially annexed Penang Island ("Prince of Wales Island") after British military forces foiled the Sultan's attempt to retake the island. In return, the EIC agreed to pay up to 6,000 Spanish dollars per year to the Sultan.

https://en.wikipedia.org/wiki/Abdullah_Mukarram_Shah_of_Kedah

http://hids.arkib.gov.my/#/index_peristiwa?q=Perjanjian%20Inggeris%20Kedah%201791&day=&month=&year

6.6.1800: Kedah-British Friendship and Alliance Treaty (Sultan Dhiauddin Mukarram Shah II of Kedah and Lieutenant-Governor Sir George Leith)

The first Lieutenant-Governor of the Prince of Wales Island gained a 189.3 sq. km strip of land from the Sultan of Kedah. This treaty gave the British permanent sovereignty over Penang Island and the newly gained mainland territory, which was subsequently named "Province Wellesley" (Seberang Perai). In return, the annual payment to the Sultan was increased to 10,000 Spanish dollars per year. This treaty was rectified by the EIC in 1802.

https://en.wikipedia.org/wiki/History_of_Penang

http://hids.arkib.gov.my/#/index_peristiwa?q=Perjanjian%20Inggeris%20Kedah%201791&day=&month=&year

<https://www.penang.gov.my/index.php/en/pengumuman/5-general/discover-penang/9-history>

6.5.1869: Treaty respecting Kedah between Great Britain and Siam

(Chao Phya Sri Suriwongsa Phra Kalahome, Prime Minister of Siam and British Consul-General Sir Thomas George Knox)

In 1869, Kedah was under the influence of the Kingdom of Siam. The Governor of the Straits Settlements agreed to pay Kedah 10,000 Spanish dollars per year as long as the British Government occupied Penang Island and the mainland area adjacent to it. Marker stones were set up to outline the boundaries of Kedah and Penang. One of the boundary stones still stands in Pinang Tunggal, Seberang Perai, today, and is being conserved by the Penang State Government as a historical relic.

<https://opil.ouplaw.com/view/10.1093/law-ohr/law-ohr-139-CTS-191.regGroup.1/law-ohr-139-CTS-191>

http://hids.arkib.gov.my/#/index_peristiwa?q=Perjanjian%20Inggeris%20Kedah%201791&day=&month=&year

20.1.1874: Pangkor Treaty

(Raja Muda Abdullah of Perak and Sir Andrew Clarke, Governor of the Straits Settlements)

The southern watershed of the Krian River was declared as "British Territory" in the rectification of the southern boundary of Seberang Perai. In return for this and other concessions, the British officially recognised Raja Muda Abdullah as the Sultan of Perak after the "Larut Wars".

https://en.wikipedia.org/wiki/Pangkor_Treaty_of_1874

http://hids.arkib.gov.my/#/index_peristiwa?q=Perjanjian%20Inggeris%20Kedah%201791&day=&month=&year

10.3.1909: Anglo-Siamese Treaty (Bangkok Treaty)

(Prince Devawongse Varoprakar, Siamese Minister of Foreign Affairs, and Sir Ralph Spencer Paget, British Foreign Service Diplomat)

Siam transferred to the British Government "all rights of suzerainty, protection, administration and control whatsoever which they possess over the states of Kelantan, Terengganu, Kedah, Perlis, and adjacent islands." Penang was not mentioned because Siam had recognised it as a British Straits Settlement. In effect, the 1909 treaty established the modern Malaysia-Thailand border.

https://en.wikipedia.org/wiki/Anglo-Siamese_Treaty_of_1909

http://hids.arkib.gov.my/#/index_peristiwa?q=Perjanjian%20Inggeris%20Kedah%201791&day=&month=&year

21.1.1948: Federation of Malaya Agreement

(Malay Rulers and Sir Edward Gent representing the British Government)

The Federation of Malaya, comprising 9 Malay states (including Kedah) and 2 British Straits Settlements (Penang and Malacca), was formed.

https://en.wikipedia.org/wiki/Federation_of_Malaya

31.7.1957: Federation of Malaya Independence Act 1957

(Act of Parliament in the United Kingdom)

This British Act made provisions for the establishment of the Federation of Malaya (subsequently Malaysia) as an independent sovereign country within the Commonwealth of Nations. The Act also provided for Her Majesty (the Queen of England) to terminate "sovereignty and jurisdiction in respect of the Settlements of Penang and Malacca", and of all power and jurisdiction in and in respect of the Malay States.

https://en.wikisource.org/wiki/Federation_of_Malaya_Independence_Act_1957

<https://www.legislation.gov.uk/ukpga/Eliz2/5-6/60>

31.8.1957: Laws of Malaysia, Federal Constitution

(First introduced as the Constitution of the Federation of Malaya on Merdeka Day: 31.8.1957. Subsequently introduced as the Constitution of Malaysia on Malaysia Day: 16.9.1963)

Article 2, Part 1 states: "The States of the Federation shall be Johor, Kedah, Kelantan, Malacca, Negeri Sembilan, Pahang, Penang, Perak, Perlis, Sabah, Sarawak, Selangor and Terengganu."

https://www.jac.gov.my/spk/images/stories/10_akta/perlembagaan_persekutuan/federal_constitution.pdf

31.12.1985: Kedah and Penang (Alteration of Boundary) Act 1985 (Act 325)

This Act altered a part of the states' boundaries to "the centre line of the Muda River (Sungai Muda) channel."

http://www.commonlii.org/my/legis/consol_act/kapoba1985328/

In a related parliamentary debate on 16.1.1985, the (then) Kuala Kedah Member of Parliament (MP) said: *"The State of Kedah had agreed to the agreement to supply water, that is the agreement between the State of Penang and the Asian Development Bank (ADB) that has specified that before the loan is approved for Penang's Water Supply Programme, the State of Kedah has to guarantee water supply from the catchments in Ulu Sungai Muda that is located in Kedah."*

Penang also surrendered part of its territory along the Sungai Muda river bank to Kedah in 1985. In exchange, Kedah provided the required "water guarantee" for the ADB loan, as arranged by the Federal Government for the Sungai Muda Water Scheme.

Legal and riparian rights

Based on the Kedah and Penang (Alteration of Boundary) Act 1985 (Act 325), PBAPP abstracts raw water from the "Penang side" of Sungai Muda daily. Act 325 does not mention payment for raw water abstraction. As such, the State Government of Penang and PBAPP have no obligation to pay the State Government of Kedah for abstracting raw water from Sungai Muda and "from the catchments of Ulu Sungai Muda that is located in Kedah".

In reality, Penang holds both legal and riparian rights to abstract raw water from Sungai Muda without any payment.

Riparian rights are applicable because Sungai Muda flows through Penang territory. The legal right is reflected in the parliamentary debate regarding Act 325; and Kedah MPs agreement to its enactment in 1985.

Some people may seek to claim that "Penang is part of Kedah" or "claim water payments from Penang". However, there are official documents and laws that state otherwise.



PBAPP BOARD OF DIRECTORS



YAB TUAN CHOW KON YEOW
Non-Executive Chairman

PBAPP Board of Directors (Cont'd)



**YB DATO' Ir. HAJI AHMAD ZAKI YUDDIN
BIN ABD. RAHMAN**
Non-Executive Deputy Chairman



**YB PROF. Dr. P. RAMASAMY A/L
PALANISAMY**
Non-Executive Director



**YB DATO' Dr. AHMAD JAILANI BIN
MUHAMED YUNUS**
Non-Executive Director



**YB DATO' Dr. MOHAMAD FARAZI BIN
MD ZOHARI @ JOHARI**
Non-Executive Director



YB TUAN ZAIRIL KHIR JOHARI
Non-Executive Director



YBHG. DATO' Sr. KUVENARAJU A/L PACHAPPEN
Non-Executive Director



YB TUAN GOOI HSIAO-LEUNG
Non-Executive Director

PBAPP Board of Directors (Cont'd)



YB TUAN H'NG MOOI LYE
Non-Executive Director



YB TUAN AZRUL MAHATHIR BIN AZIZ
Non-Executive Director



ENCIK FAKHRUZ-ZAMAN BIN AHMAD
Non-Executive Director

PBAHB TOP MANAGEMENT



DATO' Ir. JASENI MAIDINSA
Group Chief Executive Officer



**Ir. PATHMANATHAN A/L
KRISHNAN KUTTY RAMAN NAIR**
Group Chief Operating Officer
Head of Water Engineering Division



Dr. MARY ANN HARRIS
Group Chief Financial Officer
Head of Finance Division



**ENCIK MOHAMMAD
ZULKIFLI BIN ABDUL HAMID**
Head of Human Resource Division



PUAN JOYCE LEE SUAN IMM
Head of Corporate Affairs Division



**Ir. PATHMANATHAN A/L
KRISHNAN KUTTY
RAMAN NAIR**

Ir. Pathmanathan A/L Krishnan Kutty Raman Nair, aged 53, male, a Malaysian Citizen, was appointed as Chief Operating Officer on 1 October 2020.

Ir. Pathmanathan K holds a Masters Degree in Highway & Transportation Engineering from Universiti Putra Malaysia and a Bachelor's Degree in Civil Engineering from Universiti Teknologi Malaysia.

He started his career in 1995 with Ganendra, Ahmad & Associates as a Civil and Structural Designer and had served many major Civil and Structural Consulting firms such as SMHB Sdn Bhd, Zaidun-Lee Sdn Bhd, Perunding Bakti Sdn Bhd and HP Lee and Rakan-Rakan (formerly known as SLP Sdn Bhd).

Subsequently, in 2006, after obtaining his Professional Engineer status from the Board of Engineers Malaysia, he joined as a Partner with Mudajaya Jurutera in 2007 before joining PBA Holdings Bhd.

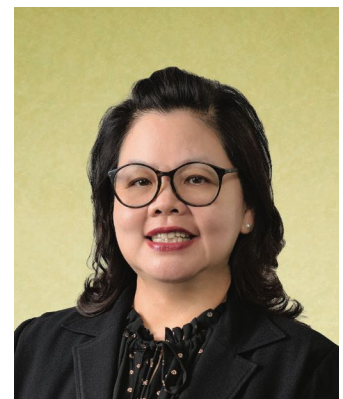
He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Dr. Mary Ann Harris, aged 55, female, a Malaysian Citizen, was appointed Group Chief Financial Officer on 1 July 2014. As Group Chief Financial Officer, she heads the Board Secretariat, Financial, Information Technology, Legal & Compliance and Risk Management functions of the Company.

Dr. Harris graduated with a Bachelor of Accounting (Honours) degree from the University of Malaya in 1992 and earned her MBA at Universiti Utara Malaysia in 1999. She received her Doctorate of Business Administration (DBA) from Universiti Sains Malaysia (USM) in 2008.

As a Chartered Accountant (CA), she has nearly 30 years of experience in public practice, industry and commerce. She is also an ASEAN Chartered Professional Accountant (CPA). She serves on the USM Industry/Community Advisory Panel (ICAP) for the Distance Learning Program for the 2019 to 2021 term. She was appointed as a Director of PBA Green Technology Sdn Bhd on 12 December 2018.

She does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.



Dr. MARY ANN HARRIS



**ENCIK MOHAMMAD
ZULKIFLI BIN ABDUL HAMID**

Encik Mohammad Zulkifli bin Abdul Hamid, aged 52, male, a Malaysian Citizen, was appointed as PBAHB's Group Head of Human Resource Division on 1 April 2017. He is also PBAPP's Human Resource Division Head, overseeing Talent Management, Compensation & Benefits Section, Employee Relations Section, Welfare & Industrial Relations Section, Human Resource Development Section and the Auxiliary Police/Security Section.

Encik Mohammad Zulkifli bin Abdul Hamid obtained his Bachelor of Science (Resource Economics) Majoring in Industrial Economics and Public Policy from Universiti Putra Malaysia and has over 26 years' experience in Human Resource and Industrial Relations. He was previously the Assistant Director of Industrial Relations (Industrial Relations Department, Ministry of Human Resources). He has also been appointed as Consultant/ Advisor for many of PBAPP's training workshops for other Malaysian water operators over the years.

He was appointed as Chairman of Kumpulan Sumber Manusia Air SeMalaysia (MyWINHR) in December 2017.

He does not hold any ordinary shares in the Company or its subsidiaries, has no family relationship with any Directors and/or major shareholder of the Company and has no conflict of interest with the Company. He has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.

Puan Joyce Lee Suan Imm, aged 56, female, a Malaysian Citizen was appointed as Head of Corporate Affairs Division on 1 September 2015. She is assigned responsibility for effective and efficient procurement & logistics, customer service and quality safety & health for the PBAHB group of companies.

Puan Joyce Lee Suan Imm holds a professional degree in accounting from the Malaysian Institute of Certified Public Accountants (MICPA) and is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

She joined PBAPP in 2001 and held the position of Finance Manager until 2015.

She was previously from Ernst and Young Penang where she served for 15 years. She gained vast experience in financial (forecast, projection and due diligence) reviews and audits of private/public and multinational companies which involved in a wide variety of industrial and commercial businesses.

She holds 8,400 ordinary shares in the Company but has no family relationship with any Directors and/or major shareholder of the Company and has no conflict of interest with the Company. She has not been convicted of any offences within the past five (5) years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year 2021.



**PUAN
JOYCE LEE SUAN IMM**

PBAPP SENIOR MANAGEMENT TEAM



Seated (left to right) :

ENCIK MOHAMMAD ZULKIFLI BIN ABDUL HAMID
Head, Human Resource Division

Dr. MARY ANN HARRIS
Chief Financial Officer,
Head, Finance Division

DATO' Ir. JASENI BIN MAIDINSA
Chief Executive Officer

Ir. PATHMANATHAN A/L KRISHNAN KUTTY RAMAN NAIR
Chief Operating Officer,
Head, Water Engineering Division

PUAN JOYCE LEE SUAN IMM
Head, Corporate Affairs Division

Standing (left to right) :

ENCIK KHOR SOON SENG
Head of Department,
Production

PUAN MARIAM BINTI ABD KADIR
Head of Department,
Operations

ENCIK MOHD NIZAM BIN OMAR
Head of Department,
Customer Service

ENCIK MOHAMED ABDULLAH BIN TAJUDIN
Head of Department,
Finance & Accounting

ENCIK SHANMUGA SUNDARAM A/L MURUGASON
Head of Department,
Internal Audit

ENCIK TEO KAH CHEONG
Head of Department,
Human Resource

ChM. Ts. MAK KOK YUN
Head of Department,
Quality, Safety & Health

PUAN SITI SUBAYDA BINTI S.M. MYDIN
Head of Department,
Information Technology

Ir. TEAN SZE NEE
Head of Department,
Planning & Development

PENANG STATE WATER SUPPLY STATISTICS 2021

Area of Penang State	1,048 sq. km
Population	1,776,600
Number of Registered Consumers	Domestic : 571,219
	Trade : 87,691
	Total : 658,910
Water Catchment Area	62.9 sq. km
Total Manpower	1,417
Number of Dams	4
Total Raw Water Storage Capacity	112,022 million litres
Number of Treatment Plants	9
Designed Capacity of Treatment Plants	1,599 million litres / day
Number of Customer Care Centres	9
Number of Treated Water Reservoirs	59
Number of Treated Water Towers	42
Number of Booster Pump Stations	95
Total Length of Pipes (100 mm and above)	4,696 km
Daily Supply of Treated Water	1,126 million litres / day
Daily Water Consumption	860 million litres / day
Percentage of Non-Revenue Water	23.6%
Domestic Consumption Per Capita	308 litres/person/day



Guillemard Water Treatment Plant

WATER TREATMENT PROCESS



SUSTAINABILITY STATEMENT 2021

PBA Holdings Bhd Group (“PBAHB” or the “Company”) or (“Group”) aims to sustain its viable performance within the Economic, Environmental and Social (“EES”) aspects of sustainability.

As we strive to be a more sustainable organisation, 2021’s statement includes PBAHB’s initiatives to achieve our sustainability goals. Our goals are in line with the Penang 2030 vision. We recognise the need for future enhancements and innovations in our practices and disclosures. The Group remains steadfast in prioritising material matters, as we learn and progress towards expanding our outreach on sustainability.

SCOPE AND MATERIALITY BOUNDARY

This Sustainability Statement (“Statement”) is prepared in accordance with Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Main Market Listing Requirements (“MMLR”) – Practice Note 9 and the Sustainability Reporting Guide issued by Bursa Malaysia Berhad. This Statement discloses the Group’s most pertinent projects, activities and initiatives, rather than every aspect of our operations. It covers PBAHB and its subsidiaries. The Statement excludes outsourced activities, joint ventures and third parties within the value chain, such as vendors and contractors.

The scope of this Statement is summarised in the table below:-

REPORTING PERIOD	1 January 2021 to 31 December 2021
REPORTING CYCLE	Annually
PRINCIPLE GUIDELINE(S)	Bursa Malaysia’s Sustainability Reporting Guide
ENTITIES COVERED	PBAHB and its subsidiaries.

The Statement is to be read together with the Management Discussion and Analysis (“MDA”) of the Annual Report. The MDA captures both our financial and operational performance for the financial year.

GOVERNANCE STRUCTURE

PBAHB’s Board of Directors (“Board”) has set the tone at the top, in driving and overseeing the Group’s sustainability strategies and performance. A Sustainability Committee (“Committee”) was established in 2018, in line with the Board’s commitment in upholding our values of accountability, transparency and integrity.

The Chief Executive Officer (“CEO”) chairs the Committee. The Committee comprises senior management personnel across the Group’s core operations and administrative divisions. The Committee is responsible for the formulation, implementation and oversight of initiatives carried out, and gathering performance data for relevant reporting requirements.

The Committee convenes meeting(s) at least once a year and reports to the Audit and Risk Management Committee (“ARMC”). The ARMC reviews and advises on the Company’s sustainable practices, goals and disclosures prior to reporting to the Board.

Sustainability Statement 2021 (Cont'd)

GOVERNANCE STRUCTURE (CONT'D)

The governance structure that provides direction, manages and reports on sustainability matters is illustrated in the following diagram:-



Please refer to the *Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP") Organisation Structure* for the full organisation structure.

A cross-functional governance structure provides a holistic and diverse viewpoint. A broad and comprehensive perspective of sustainability can be obtained. Input from internal stakeholders is augmented by views from external stakeholders through various stakeholder engagement initiatives, carried out throughout the year.

With the structure still in its infancy stage, the Committee will be developing and implementing more practices to address sustainability matters that are pivotal to the Group as we move forward. We believe that a good governance structure may align our principles and standards with the key objective of delivering exceptional services.

STAKEHOLDER ENGAGEMENT

For the purpose of this report, a stakeholder is defined as an individual or a group that has an effect on or is affected by the Group and its activities.

Actively engaging our stakeholders is important to understanding their concerns and expectations, as we strive towards continuous improvement and long-term business sustainability in this dynamic business environment. We conducted a stakeholder mapping exercise and produced a list of prioritised stakeholders, through a structured process with senior management.

STAKEHOLDER ENGAGEMENT (CONT'D)

From the mapping exercise, we identified six (6) major internal and external stakeholder groups. We engaged these groups through multiple channels at varying frequencies. The key stakeholders and their respective engagement channels are listed in the following table.

Stakeholder	Means of Engagement	Frequency
Government / Statutory Bodies	• Discussions and meetings with authorities • Inspections and visits • Reports and press releases	• Regular • Ad-Hoc • Ad-Hoc
Employees	• Employee satisfaction survey • Performance appraisal system • Engagement activities • Meetings and discussions	• Regular • Annually • Regular • Regular
Consumers	• Customer satisfaction survey • Public opinion polls • Talks & public awareness programmes • Face to face interaction through service counters • Social media • Press releases • Advertisements	• Regular • Every two years • Regular • Regular • On-Going • Ad-Hoc • Ad-Hoc
Local Community	• Environmental & water conservation exhibitions (World Water Day, Penang Green Council etc.)	• Regular
Suppliers / Vendors	• Vendor registration process • Performance evaluations • Meetings and discussions	• Ad-Hoc • Annually • Regular
Shareholders	• Annual general meetings • Company announcements • Annual reports • Financial reporting • Corporate website • Press releases	• Annually • Ad-Hoc • Annually • Quarterly • On-Going • Ad-Hoc

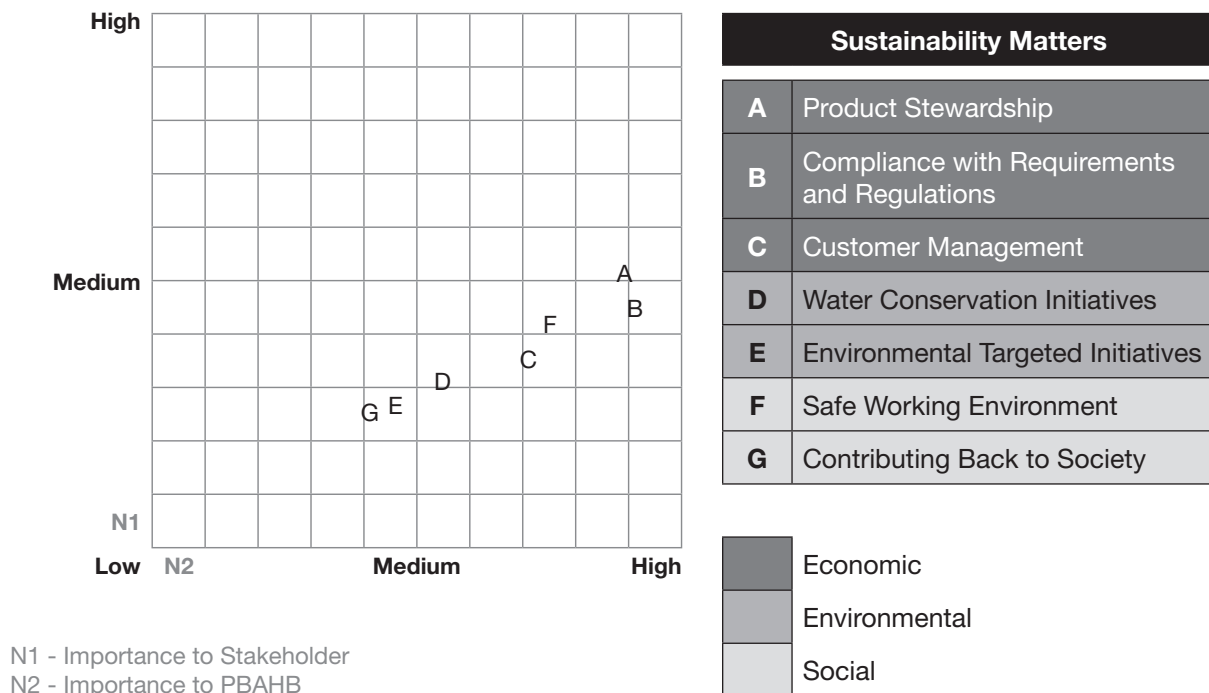
Sustainability Statement 2021 (Cont'd)

MATERIALITY

Determining materiality is crucial for the Group to prioritise the sustainability matters identified. Material issues are defined as issues relevant to our stakeholders that are likely to positively or negatively impact the Group.

The Group conducted a materiality assessment exercise in 2021. The assessment was conducted for top and senior management personnel: The CEO, Chief Operating Officer, Chief Financial Officer, Division Heads and Heads of Departments.

Based on the list of sustainability matters collated from this exercise, seven (7) high priority sustainability matters were identified. The Group's resources are allocated in managing and addressing these matters. The sustainability matters were plotted based on significance to our stakeholders and impact to the Group in the chart below. The sustainability matters are also grouped under Economic, Environmental and Social ("EES") categories.

Materiality Matrix

We view every one of the sustainability matters listed with equal importance. There is an interrelation between each matter. Hence, efforts are carried out in the view of managing and addressing each matter equally and comprehensively.

PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY

Compliance with Requirements and Regulations

We understand that meeting regulatory requirements lays the foundation for a healthy company with transparent operations. It is also an indicator of our ability to conform our operations to certain performance parameters. We endeavour to fully comply with all regulations in the performance of our business operations.

Hence, strictly adhering to regulatory requirements is important to us. Management allocates sufficient resources to ensure effective and timely responses to regulatory developments. At the same time, the Group constantly monitors its compliance performance.

We carried out internal reviews and audit programmes to benchmark our performance against regulatory targets and the industry's best practice. These initiatives help us identify areas for improvement and to familiarise our employees with the regulatory requirements.

The following is a list of primary rules and regulations that are related to the Group's business and operations:-

- Penang Water Supply Enactment 1998
- Water Supply Enactment 1998 (Water Catchment Areas) Order 2004
- Water Services Industry Act 2006
- National Water Services Commission Act 2006
- Water Services Industry (Licensing) Regulations 2007
- Water Supply Enactment 1998 (Water Catchment Areas) (Amendment) Order 2009
- Personal Data Protection Act 2010
- Water Services Industry (Water Reticulation & Plumbing) Rules 2014
- Water Services Industry (Water Services Deposits, Fees & Charges) Regulations 2014
- Water Services Industry (Water Supply Services Agreement Between Consumer and Water Distribution Licensee) Rules 2014
- Water Services Industry (Rates for Water Supply Services) (State of Penang) (Amendment) Regulations 2015
- Water Services Industry (Bulk Water Supply Agreement) Rules 2015
- Companies Act 2016
- Uniform Technical Guidelines 2017

During the year, Suruhanjaya Perkhidmatan Air Negara ("SPAN") conducted a regulatory audit at various facilities. They assessed PBAPP's quality performance monitoring for water quality service. We provided full assistance and support to the auditors throughout the audit. No major issues were reported and the Group managed to achieve and maintain positive Key Performance Indicator ("KPI") results throughout the year in assessment.

To further comply with the Malaysian Anti-Corruption Commission Act (2018), an Integrity Officer was appointed in 2021 to drive PBAHB's Integrity function. The Integrity Officer reports to the Integrity Committee which aims to establish a culture of integrity and improve the effectiveness of PBAHB's integrity framework.

Sustainability Statement 2021 (Cont'd)

PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY (CONT'D)**Product Stewardship**

One of the Penang 2030 Vision's key themes is to increase liveability to enhance the quality of life. Many of the key initiatives of the Penang 2030 Vision require treated water. PBAPP plays a critical role in helping the state realise its vision for Penangites. This is consistent with our own vision of meeting all water supply needs. We are determined to constantly deliver the highest possible quality of treated water. This presents a set of challenges; overreliance on one major raw water source, increasing water demand, climate change and ensuring treated water is of good quality. This motivates us to explore new approaches to maintain and improve Penang's treated water quality and supply.

We carried out various initiatives and invest in infrastructure and people to ensure excellent product stewardship. Our central laboratory is an example of PBAPP's investment. The laboratory audit for all water treatment plants covered 19 testing parameters and has improved the monitoring of treated water quality. The central laboratory, without the assistance of external consultants, successfully transitioned from MS ISO/IEC 17025:2005 to MS ISO IEC 17025:2017. An additional 11 testing parameters were accredited in 2021. The Central Laboratory is now accredited for a total of 32 parameters. With that, the laboratory is deemed technically competent for the analysis of water. There are plans to extend to another seven testing parameters in 2022 which covers effluent discharges.

Our efforts to improve and maintain our practices at the highest competency have resulted in our treated water consistently exceeded the Quality Assurance parameters. These parameters were set by the Ministry of Health and tested recently by the Health Department of Penang. In addition to that we have complied with the ISO 9001:2015 Quality Management System Certification (which was obtained in 2003) requirements. This encouraged us to deliver exceptional quality of product and services. We are pleased to report that PBAPP's treated water exceeded the Quality Assurance Program parameters in 2021.

Our treated water was delivered by 4,696km of pipelines measuring 100mm and above in diameter in 2021. This is an extension of 56km as compared to 4,640km in 2020. Henceforth, we were able to sustain 100% urban water supply coverage and 99.8% rural water supply coverage.

In 2020, the effective capacities of Teluk Bahang Dam and Air Itam Dam were very low. The measures taken in 2020 helped to refill these dams to healthier levels in 2021. The diversion of excess raw water from Sungai Pinang and Batu Feringghi catchment areas helped refill Teluk Bahang Dam. Below is a comparison of the dam levels:

Dam	Effective Capacity (%)	
	5 Sep 2020	17 Dec 2021
Air Itam Dam	33.3%	88.7%
Teluk Bahang Dam	16.0%	87.6%
Mengkuang Dam	88.0%	93.9%

PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY (CONT'D)

Product Stewardship (Cont'd)

Meeting the increasing water demand in Seberang Perai Selatan is important as significant socioeconomic development is occurring there. Hence, the Company is in the midst of implementing water supply initiatives under the Raw Water Contingency Plan 2030. These proposed projects are:

- Phase 2 Sungai Dua Water Treatment Plant (“WTP”) sedimentation tanks upgrade;
- Package 12A, Sungai Dua WTP: Additional new water treatment module;
- Phase 1 Mengkuang Dam WTP;
- Phase 1 Sungai Muda WTP; and
- Sungai Perai Water Supply Scheme.

Our proactive responses ensured Penang will have sufficient treated water in the fight against COVID-19 in 2022. Our initiatives will continue, to ensure more treated water is delivered across Penang for our consumers to benefit from our operations.

Customer Management

In building and maintaining close relationships with our customers, we have various means to provide consumers with transparent and accessible platforms to engage with us on their needs, concerns or requests. The following is a summary of our communication platforms:-

- A 24-Hour Call Centre which provides consumers with an avenue to highlight issues and obtain assistance at any time.
- 9 Customer Care Centres that comprise teams of well-trained personnel who are strategically located throughout Penang.
- A dedicated Customer Engagement Team, who engages, communicates and facilitates customer engagement programs that will strengthen relationships with key stakeholders of PBAPP’s existing Top 100 customers.
- The myPBA mobile application for consumers to make payments and obtain information related to water supply.
- The myPBA Portal where upon registration, customers can view, download, print and pay their water bills while also monitoring their water consumption.
- Social media where customers can engage with PBAPP via our Facebook Page (PBAPP Penang) to lodge reports or make enquiries.
- Complaints and queries can also be made via the corporate email at customer@pba.com.my

PBAPP continued its efforts to ensure that effective communication to its customers remain as its top priority. Launched in 2017, the myPBA application was downloaded 326,520 times as at December 2021. This is an increase of 110,421 downloads from 2020. The increase can be attributed to consumers encouraged to pay their bills online during the COVID-19 pandemic.

We also took advantage of the developments in technology to improve customer experience, by enhancing the myPBA Portal, where customers can view, download, print and pay their water bills while also monitoring their water consumption.

Sustainability Statement 2021 (Cont'd)

PURSUANCE TOWARDS ECONOMIC SUSTAINABILITY (CONT'D)**Customer Management (Cont'd)**

PBAPP will continue to explore new opportunities in humanising Customer Experiences in the digital age via various social media and other platforms. Furthermore, consumers can pay their water bills online, through “JomPAY”, without any transaction costs. This provides consumers a convenient way to pay their bills.

The Customer Services Department regularly measures and reports its customer care performance, based on SPAN's KPIs. This serves as a means to assess and improve our customer care practices. Since regulated assessments began in 2012, the Group's measured performance has positively exceeded each of the stipulated targets every year.

The Group continues to explore avenues to improve its customer service experience. Hence, the Group is in the process of acquiring a new premises for its Bukit Mertajam service centre. PBAPP was previously renting a premises for in Bukit Mertajam. Owning our own premises is an economically viable way to service our consumers. Furthermore, the premises chosen is in a strategic location where transportation links converge for customers' convenience.

BALANCING A SUSTAINABLE ENVIRONMENT**Water Conservation Initiatives**

As Penang's only water supply company, we are responsible to ensure our consumers use water wisely. Water is required for sustaining and developing Penang's socioeconomic environment. The surrounding socioeconomic activities impact the sustainability of our water resources.

The Group strives to promote a culture of using water wisely and various measures are being undertaken. We have incorporated the mandatory installation of water saving devices (“WSDs”) in our water demand management programme. WSDs are installed in 19 of our buildings. This can help achieve our target of saving up to 30% in water consumption. We also encouraged the installation of WSDs at our executives' homes. We then monitor their consumption to identify the savings in consumption. Based on the average water usage for year 2021 (January 2021 – September 2021) at sixteen (16) PBAPP premises, approximately 35% water saving is achieved compared to baseline data (without WSD).

PBAPP installed WSDs at 23 mosques around Penang. WSD installation for mosques was put on hold from January 2021 till end of November 2021 as the mosque management did not consent to the installation due to the COVID-19 pandemic. Installation works resumed at the end of November 2021.

PBAPP's Aqua Save certification programme promotes water conservation, by recognising organisations that practice wise water usage. In 2021, twenty-seven companies had submitted their applications for the Aqua Save Certification. 14 applications of those were successful. Unfortunately, 13 other applications did not meet the requirements for certification.

The Company's water demand management aims to conserve water. It includes raising the value of water. PBAPP introduced the Water Conversation Surcharge (“WCS”) to reduce the per capita domestic consumption (l/c/d) in 2010 at RM0.24 per 1000 litres (only for domestic consumption above 35,000 litres per month and increased it to RM0.48 in 2013. Additionally, the Penang State Government approved the proposal of mandatory installation of WSDs in new development projects for PBAPP on 28 November 2017. Currently it is being enforced by PBAPP, Majlis Bandaraya Pulau Pinang and Majlis Bandaraya Seberang Perai. This will automatically reduce water consumption.

BALANCING A SUSTAINABLE ENVIRONMENT (CONT'D)

Environmental Targeted Initiatives

We are deeply involved in environmental conservation and protection. One of our key initiatives is to fully comply with the ISO 14001:2015 Environment Management System's requirements. The Group obtained the ISO14001:2015 certification in 2005. We are constantly maintaining and improving our practice to ensure this management system is effectively implemented. PBAPP has successfully obtained recertification for ISO 14001:2015 from SIRIM QAS International Sdn Bhd in 2021.

The Group is encouraging recycling habits at all premises. Recyclable materials are sorted from general waste and sent to various recycling vendors.

Recycling efforts are practised as part of its Penang Green Office ("PGO") Certification for Customer Care Centres, offices and WTP offices. Currently nine (9) PBAPP offices and three (3) WTP offices are certified. In 2021, five (5) certifications for PBAPP offices were renewed. Three (3) additional WTP offices were certified.

We are looking into reducing our paper usage in offices. Consumers have been encouraged to pay their bills online. This has reduced the amount of paper needed to print receipts for them at customer service centres. Additionally, fewer annual reports were printed in 2021. Over time, the Company will find new ways to reduce its paper consumption.

The Group continues with its efforts to preserve and rehabilitate the Ulu Muda Forest Reserve. It is the primary water catchment area for Sungai Muda. The area is important for the well-being and growth of the Northern Corridor Economic Region ("NCER"). PBAPP and the Penang State Government have repeatedly stated that the Federal Government should compensate Kedah for preserving the Ulu Muda Forest Reserve.

A new threat to the Sungai Muda emerged in 2021 with the proposed construction of the Kulim International Airport. The proposed location is along the Sungai Muda riverbanks, near Lahar Tiang. Activities from construction and operations may cause contamination of the river. It is too close to Lahar Tiang to take emergency measures in the event of contamination. Penang may experience water disruptions that have been frequently occurring in Selangor and KL. PBAPP has called on the Federal Government to relocate the proposed airport to a location that does not jeopardise Penang's major raw water source.

BUILDING OUR SOCIAL REPOSIBILITY

Safe Working Environment

The Group places great important on health and safety. This is because the risks related to our operations affect various stakeholders. Its importance is amplified by the ongoing COVID-19 pandemic. At the time of writing this statement, over 350 million people around the world have been infected and more than 5.5 million people have died.

Sustainability Statement 2021 (Cont'd)

BUILDING OUR SOCIAL REPOSIBILITY (CONT'D)**Safe Working Environment (Cont'd)**

We acknowledge our role as an essential service company and the risk of operating throughout the pandemic must be carefully managed. Our employees' safety is our utmost priority. They need to feel safe working without risking their lives and the lives of their families. An infected employee will jeopardise our ability to produce treated water for Penang. The virus may also spread to other employees and their family members in the wider community. Creating a safe workplace not only protects our employees but improves morale during this challenging period.

The Group has implemented various measures to minimise the risk of infection and to break the chain of transmission. In 2021, work from home and rotation schedule measures continued. The COVID-19 Emergency Response Plan Committee worked to ensure PBAPP complied with the standard operating procedures and orders issued by the Penang State Government, National Security Council and Ministry of Health. Social distancing mechanisms, temperature checks, registration counters and other various measures were set up at all facilities. Routine sanitisation of PBAP's facilities was carried out. Procedures were established for third parties visiting PBAPP, to prevent the spread of the virus. Online meetings continued to be held to minimise exposure. This has successfully kept PBAPP running 24/7. The Group is constantly adapting to regulatory changes and the volatile nature of the pandemic.

We managed to get our employees vaccinated against COVID-19. As at 31 December 2021, 100% of employees received their first dose of the COVID-19 vaccine. More than 99% of the workforce is fully vaccinated. Our employees are encouraged to receive COVID-19 booster shots to maintain their levels of immunity. The Group is playing an active role to help Penang achieve herd immunity so we can return to normalcy soon.

As restrictions begin to relax, PBAPP has safely reopened its public premises. The reopening of the Air Itam Dam, Teluk Bahang Dam, Mengkuang Dam and Bukit Dumar recreational park to the public were done in compliance with the relevant regulations. Measures and safeguards were implemented for the safety of our employees and the public.

Our health and safety practices are based on the ISO 45001:2018 standard and guided by PBAPP's Occupational Safety and Health ("OSH") Policy. This is in line with the relevant requirements of the ISH Act 1994 (Act 554) and the Factory & Machinery Act (Act 139, 1967). The Group established programmes and developed measures to carry out safety and health improvements for our stakeholders' benefit. PBAPP's employees are training to perform their duties in a manner that creates a safe and healthy workplace. PBAPP managed to conduct only one physical training (i.e. Safe Defensive Driving). The Safe Motorcycle Defensive Riding Training & OSH Talk which were supposed to be two (2) days course was held on-line (with shorten training days from two (2) days to half (½) a day briefing).

The Group is subject to annual compliance reviews. These are measures to evaluate our safety and health performance to identify areas for improving workplace safety. Identifying areas for improvement will help PBAPP maintain the effective implementation of the OSH management system.

BUILDING OUR SOCIAL REPOSIBILITY (CONT'D)

Safe Working Environment (Cont'd)

Apart from our regulatory practices, we carried out the following programmes in 2021:-

1. Workplace Inspection
 - An inspection was carried out by our Quality, Safety and Health Department together with the Safety and Health Committee. The safety levels and existing health measures at each area of operation were assessed. However, for year 2021, QSH Department minimised on this activity due to the COVID-19 pandemic. However, QSH Department and HR Division carried out 'Spot Check' inspections / enforcement to ensure the COVID-19 standard operating procedures are implemented.
2. Emergency Drills
 - Drills on our predetermined measures for disasters and emergencies were conducted. The objective was to train our employees to respond during emergencies.

Providing health and safety training to its employees is crucial in creating a safe working environment. Despite the COVID-19 pandemic, we remained committed to our employees' development. In 2021, we devoted 257 hours to trainings, seminars and conferences pertaining to health and safety. The Group committed 90 training hours more than in 2020. We did this so that our employees are able to operate in a safe working environment.

Creating a safe working environment also extends to ensuring a safe product. Our central laboratory ensures that treated water is suitable for public consumption, in accordance to the Ministry of Health's parameters. We were awarded the "Laboratory Excellence Award" by the Malaysian Institute of Chemistry for the fifth consecutive year. The award recognises laboratories which comply with the MS ISO/IEC 17025:2015 laboratory accreditation and have achieved competency in analytical work. Receiving this award validates our performance in 2021.

Contributing Back to Society

We have continued and expanded our corporate social responsibility commitments in 2021, by providing support to the general public. We believe assisting the local communities will help Penang accomplish its Penang 2030 Vision. Our contribution to the public in 2021 can be summarised as follows:-

"Kampung Loans" Programme (since 1976)

This is an interest-free loan programme for water supply connection. Households with an income under RM1,000 per month can apply for a loan of up to RM1,500 which is payable by instalments via water bills, alongside a waiver for trunk main contributions.

Year	2019	2020	2021
Number of Successful Applications (for the year)	71	12	21
Amount (RM)	105,809	17,970	31,437

Sustainability Statement 2021 (Cont'd)

BUILDING OUR SOCIAL REPOSIBILITY (CONT'D)**Contributing Back to Society (Cont'd)**“Projek Perumahan Rakyat Termiskin” Scheme (since 2008)

A scheme which provides households with a monthly income under RM790 with either:

- A free water supply connection from the main pipeline to the premise, for those who are without a water supply connection; or
- Free water supply of up to 60,000 litres every two (2) months for those with an existing water supply connection.

Year	2019	2020	2021
Approved Cases	295	329	580
Amount (RM)	18,571	27,393	48,223

Special Tariffs for Places of Worship (since 2009)

- Special water tariffs for places of worship such as mosques, suraus, churches, and temples.

Year	2019	2020	2021
Places of Worship	1,827	1,807	1,799
Amount (RM)	67,835	69,495	67,368

Water Conservation Surcharge Rebate (since 2014)

- A 60% rebate on water bills for households with eight (8) or more persons.

Year	2019	2020	2021
Approved Cases	877	891	891
Amount (RM)	113,117	122,905	126,215

The implementation of various Movement Control Orders and the National Recovery Plan (“NRP”) has caused many Penangites to struggle financially. PBAPP decided to help relieve their financial burden. Hence, we temporarily stopped disconnecting the water supply and clamping meters of delinquent consumers.

In terms of Corporate Social Responsibility, free water supply was provided to government vaccination centres in 2021 to assist with the nationwide vaccination drive. Furthermore RM250,000 was donated to the Football Association of Penang to encourage and promote the sport.

Our support to the community extends beyond our state borders. In March 2021, Syarikat Air Darul Aman (“SADA”), Kedah’s water operator requested the activation of the 60th Royal Army Engineers Regiment. They requested emergency pipe laying works and distribution of water supply. PBAPP sent 24 employees to form part of the regiment. A 5,000-litre water tanker, 2 vans and a 4WD vehicle was also despatched to Kedah. The squadron distributed water from 21 March 2021 until 4 April 2021 to 30,000 consumers in Gurun, Merbok, Tanjung Dawai, Semeling and Sungai Lalang.

Giving back to the community strengthens the relationships with our stakeholders. We will continue with our efforts, in line with one of the Penang 2030 themes; empowering the people to strengthen civic participation.



MANAGEMENT DISCUSSION & ANALYSIS (“MDA”) 2021

In 1999, Perbadanan Bekalan Air Pulau Pinang Sdn Bhd (PBAPP) was corporatised as a state government-linked company to manage water supply in Penang, Malaysia.

In 2002, PBA Holdings Bhd (PBAHB) was public listed on the Main Board of Bursa Malaysia (the Malaysian Bourse) to facilitate public ownership of PBAPP. Until today, PBAHB serves as the holding company for PBAPP, and it holds 100% equity in PBAPP.

PBAHB's principal shareholder is the State Secretary, Penang, a Penang State Government entity. It holds 55% of the shares and a “golden share” in PBAHB.

In 2021, PBAPP's core business was the provision of water supply and related customer services in the State of Penang. PBAPP operates under an exclusive licence to provide water supply services in Penang. This renewable licence is issued by the National Water Services Commission (SPAN), in accordance with the regulations and provisions of the Water Supply Industry Act (WSIA 2006).

Accordingly, PBAPP's primary objective is to sustain continuous good water supply services in Penang for the benefit of the state and its people. It operates in accordance with holistic water supply management strategies to ensure that supply stays ahead of demand in a water-stressed state.

PBAPP's daily operations are also conducted in accordance with the following ISO certified management systems:

- ISO 9001:2015 for quality management system;
- ISO 14001:2015 for environmental management system (at selected PBAPP installations);
- ISO 45001:2018 for occupational safety & health management system;
- ISO/IEC 27001:2013 for information security management system (Sungai Dua Water Treatment Plant);
- MS ISO/IEC 17025:2017 for Laboratory Quality Management System - competency in (water) testing (PBAPP Central Laboratory); and
- MS/IEC 17025:2017 for Laboratory Quality Management System - competency in testing (PBAPP Water Meter Testing Laboratory, Rifle Range).

As PBAHB's principal subsidiary, PBAPP contributed RM333.95 million to PBAHB's revenue during the year in review. PBAPP's contribution accounted for 99.74% of PBAHB's reported revenue of RM334.82 million in 2021.

PBAPP's revenue contributions are primarily derived from the sale of treated water to registered water consumers in Penang, in accordance with a water tariff structure that was approved by the Federal Government in 2015.

PENANG'S KEY WATER SUPPLY INFRASTRUCTURE

PBAPP managed the operations of the following key water supply infrastructure to sustain continuous good water supply services in Penang in 2021:

- 4 dams with a total raw water storage capacity of 112,022 million litres (ML);
- 9 water treatment plants (WTPs) with a total design capacity of 1,599 million litres of water per day (MLD);

Management Discussion & Analysis (“MDA”) 2021 (Cont’d)

PENANG’S KEY WATER SUPPLY INFRASTRUCTURE (CONT'D)

PBAPP managed the operations of the following key water supply infrastructure to sustain continuous good water supply services in Penang in 2021: (cont'd)

- 59 treated water reservoirs, 42 treated water towers and 95 pumping stations; and
- 4,696km of water supply pipelines with a diameter of 100mm and above.

NUMBER OF CONSUMERS SERVED IN PENANG

During the year in review, PBAPP served a total of 658,910 water consumers in Penang, of whom 571,219 (86.7%) were registered as domestic consumers and 87,691 (13.3%) were registered as trade consumers. Domestic consumers are primarily households while trade consumers are primarily businesses.

PBAPP WATER PRODUCTION & CONSUMPTION REPORT

In 2021, PBAPP produced 411,148,140 cu.m of treated water (1 cu.m is equivalent to 1,000 litres) from 9 water treatment plants.

The primary raw water resource for Penang was Sungai Muda, a river that flows through Seberang Perai Utara (SPU) on the mainland. Raw water abstraction from this river accounted for more than 80% of the raw water that PBAPP abstracted during the year in review.

The raw water was treated at 9 water treatment plants which were managed by PBAPP. All of these plants are located in Penang and utilise conventional water treatment technology to produce treated water. PBAPP focused on conventional water treatment technology because it is the most cost-efficient technology. The total design treatment capacity of the 9 plants was 1,599 million litres per day (MLD) in 2021.

The largest and most important WTP in Penang is the Sungai Dua WTP in Seberang Perai Utara. By itself, the Sungai Dua WTP produced more than 80% of the total volume of treated water that was supplied in Penang. The treated water from the Sungai Dua Water Treatment Plant was supplied throughout Seberang Perai, as well as to Penang via 3 sets of twin submarine pipelines that have been laid across the channel that separates the mainland from the island.

The volume of treated water produced by PBAPP in 2021 amounted to 1,126 MLD. Daily (metered) water consumption in Penang was recorded as 860 MLD. As such, the percentage of “non-revenue water” (or water loss) recorded for Penang in 2021 was 23.6%.

Domestic consumption accounted for 64% of total consumption while trade consumption accounted for the remaining 36%.

The annualised per capita domestic consumption statistics for 2021 was the highest in recorded water supply history in Penang: 308 litres/capita/day (LCD).

PBAPP WATER PRODUCTION & CONSUMPTION REPORT (CONT'D)

However, 2021 was an abnormal global pandemic year wherein nationwide lockdowns had to be imposed to control the spread of the Covid-19 virus. The majority of Penangites and their families were compelled to stay home and work from home (WFH), and hence, they naturally consumed more water per capita at home for drinking, cooking, washing, cleaning and bathing.

PBAPP COVID-19 SAFETY MEASURES

Since water supply is classified as an “essential service”, PBAPP continued to operate on a 24/7 basis in Penang throughout Malaysia’s Movement Control Order (MCO) periods imposed by the Federal Government in 2021.

Standard operating procedures (SOPs) implemented to safeguard the health and well-being of PBAPP personnel and ensure uncompromised water supply services in Penang include:

- Compliance with all Federal and State regulations (as per official disclosures and “MySejahtera” app notifications) that apply to water supply operations;
- Continuous monitoring, reporting and management of potential Covid-19 threats within workplaces and staff quarters;
- Regular sharing of new or updated information regarding risks and safety precautions with Standard Operating Procedures with all personnel (92 memorandums were issued in 2021);
- Implementation of mandatory Covid-19 safety procedures at all PBAPP installations and offices (including a face mask wearing mandate, monitoring of individual “MySejahtera” statuses, re-entry registration, temperature scanning, hand sanitisation requirements, physical distancing and regular RT-PCR/RTK Antigen testing protocols for high-risk personnel, etc);
- Provision of face masks, face shields and sanitisers to all personnel;
- Placement of plastic barriers at office cubicles as a preventive measure;
- Implementation of group rotational work schedules and WFH procedures based on personnel roles and responsibilities;
- Twice a week sanitisation of PBAPP premises;
- Reduced working hours for 9 customer service centres and rotational deployment of customer service personnel;
- Provision of masks, aprons and gloves to customer service personnel;
- Installation of protective counter shields at all customer service centres;
- Consistent and active promotion of online water bill payment options via the “myPBA” app (available from the Apple App Store or Google Play Store) and “JomPAY” (biller code: 50385); and
- Closure and control of entry to all dams and recreational areas managed by PBAPP, as per Federal and State rulings and regulations.

Management Discussion & Analysis ("MDA") 2021 (Cont'd)

PBAPP COVID-19 SAFETY MEASURES (CONT'D)

As at 31.12.2021, PBAPP's personnel vaccination rate was 100.0% for the first dose and 99.8% for the second dose.

PBAPP's management of operations in accordance with strict SOPs helped to minimise the risks of Covid-19 infection through interactions in PBAPP premises. It should be noted that PBAPP is responsible for continuous good water supply services, 24/7, even during the periods when the highest numbers of infections were reported for Penang and Malaysia in 2021.

During the year in review, PBAPP identified a total of 216 positive cases amongst a workforce of 1,420 employees. Sadly, one PBAPP personnel reportedly passed away from a Covid-19 related ailment.

1 : 464 PBAPP EMPLOYEE TO PENANG WATER CONSUMER RATIO

In 2021, PBAHB and PBAPP employed a total of 1,420 personnel to serve 658,910 registered water consumers in Penang. These statistics reflect a PBAPP employee to Penang water consumer ratio of 1 : 464, as compared to the ratio of 1 : 455 in 2020.

This 1 : 464 ratio reflects a reasonably high level of human resource efficiency, considering that PBAPP is a holistic water supply operator. PBAPP abstracts raw water, treats water, distributes treated water, bills for water supply services and provides a comprehensive range of water supply services in Penang.

During the year in review, almost none of PBAPP's key day-to-day water supply operations were out-sourced to an external third party, with the exception of its 24-hour Call Centre which is being manned by TM One personnel.

In 2021, the composition of the PBAHB-PBAPP workforce was as follows:

Employee Composition		PBAPP	Other subsidiaries	PBAHB Group
1	Top Management	3	0	3
2	Senior Management	2	0	2
3	Middle Management	27	0	27
4	Executives	79	1	80
5	Clerical and Technical Personnel	571	2	573
6	Industrial Manual Group	735	0	735
Total		1,417	3	1,420

The majority of the employees (64.2%) were aged below 40 years. In 2021, 16 employees resigned from service while 30 others retired at the age of 60 years. The Board of Directors and management had conveyed their condolences to the families of 10 employees who passed away while in service in 2021.

PBAPP’S KEY PERFORMANCE INDICATORS

The following table benchmarks PBAPP’s key performance indicators in 2021 against the national statistics for 2018, as published in the Malaysia Water Industry Guide 2019 (MWIG 2019):

Key Performance Indicators		PBAPP 2021	National Average 2018
1	Population Served • Urban • Rural	100.0% 99.8%	96.8% 96.6%
2	Treated Water Reserve Margin	29.6%	14.0%
3	Non-Revenue Water (NRW)	23.6%	33.9%
4	Average Domestic Tariff for the first 35,000 litres per month	RM0.32 per 1,000 litres	RM0.71 per 1,000 litres
5	Average Industry Tariff for the first 500,000 litres per month	RM1.36 per 1,000 litres	RM1.87 per 1,000 litres

NO WATER RATIONING IN PENANG

Over and above all other KPIs, PBAPP shoulders the responsibility of upholding a “no water rationing” policy in Penang, as promoted by the Penang State Government.

This policy is meant to provide an assurance to the people and businesses that water supply would always be managed efficiently and with public accountability.

It should be noted that while PBAPP is a water supply operator, it is not bestowed with official regulatory powers.

There are many water supply-related challenges, circumstances and constraints that are beyond PBAPP’s control and/or purview, including abnormal weather phenomena, Federal Government regulations and rulings, water tariff approvals, water and land contamination/pollution and illegal land development, as well as unforeseeable natural or man-made mishaps (including landslides, floods, fires and chemical spills).

Nevertheless, PBAPP has managed to work with the Penang State Government and all relevant authorities to avoid water rationing in Penang in the past 22 years, since its corporatisation in 1999.

However, PBAPP has noted that water consumers in several housing areas in Seberang Perai Selatan (SPS) and Paya Terubong on Penang island have reported low water pressure and no water during peak hours in 2021 and early 2022.

All of these complaints originated from higher ground and/or end-of-pipeline areas. PBAPP has deployed resources to provide short-term solutions to address the complaints and will expedite long-term solutions to resolve the issues favourably.

From the macro water supply planning and development viewpoint, these isolated low pressure issues are regarded by PBAPP to be “early warning” signs of the urgency to upgrade Penang’s water supply infrastructure for the future.

Management Discussion & Analysis (“MDA”) 2021 (Cont’d)

PENANG TREATED WATER QUALITY REPORT

In 2021, a total of 3,100 samples of treated water produced in Penang were taken for physical, microbiological and chemical content testing.

Regular treated water sampling and testing is carried out in accordance with the protocols of a Water Quality Surveillance programme conducted jointly by the Health Department of Penang and PBAPP. This procedure ensures that PBAPP treated water complies with the Quality Assurance Programme (QAP) parameters set by the Ministry of Health, Malaysia (MOH).

In Penang, water samples are obtained from 213 sampling points located in all key areas within the state. Water sampling is carried out weekly at basic points (treatment plant outlets) and monthly at auxiliary points (distribution system installations and pipelines).

The following table summarises the key results of physical and microbiological test violations (3,100 treated water samples) as well as inorganic test violations (601 treated water samples):

Water Test Parameters		MOH QAP	PBAPP Compliance
1	Free Chlorine	1.85%	100.00%
2	E-Coli	0.15%	99.94%
3	Residual chlorine + E. Coli	0.05%	100.00%
4	NTU (turbidity)	2.00%	99.94%
5	Aluminium	10.00%	97.18%

PBAPP’s steadfast commitment to supplying the best quality treated water possible is also reflected in its own (internal) quality assurance testing programme implemented in the Sungai Dua WTP, the most important water treatment plant in Penang that produces more than 80% of the treated water that PBAPP supplies daily.

The PBAPP Central Laboratory, located in the Sungai Dua WTP premise, tests raw water and treated water regularly, in accordance with the more comprehensive parameters specified in the MOH’s Drinking Water Quality Control (KMAM) programme.

The results from PBAPP’s Central Laboratory showed that treated water produced at Sungai Dua continued to comply with KMAM requirements. As such, the internal and external water test results indicated that PBAPP continued to supply treated water that is amongst the cleanest, safest and healthiest in Malaysia, in a global pandemic year.

In 2021, the PBAPP Central Laboratory received its 5th consecutive “IKM Excellence Award”. Presented by the Malaysian Institute of Chemistry (Institut Kimia Malaysia – IKM), this award acknowledged the laboratory’s accomplishments in the field of water testing (raw water, settled water and treated water).

PBAPP had also previously received this award in 2017, 2018, 2019 and 2020. The 2021 award recipients were required to comply with the MS ISO/IEC 17025:2017 standard set for testing and calibration laboratories.

The scope of the PBAPP Central Laboratory’s accreditation to this ISO standard encompasses 32 parameters, including advanced parameters, such as: true colour, conductivity, alkalinity, dissolved oxygen content, biochemical oxygen demand, total suspended solids and total organic carbon.

PENANG TREATED WATER QUALITY REPORT (CONT'D)

The PBAPP Central Laboratory is equipped with high-tech equipment including:

- An inductively-coupled plasma optical emission spectrometer (ICPOES);
- An ultraviolet-visible (UV-VIS) spectrophotometer; and
- A total organic carbon (TOC) analyser.

Having invested in state-of-the-art equipment in a laboratory managed by two chemists, PBAPP is presently pursuing opportunities to commercialise its water testing services by serving as a potential Penang and/or Malaysian private sector customer base.

PBAPP CUSTOMER SERVICE REPORT

The following table reports on PBAPP’s customer service performance in 2020 and 2021, as submitted to SPAN in compliance with SPAN’s key performance indicators (KPIs):

Customer Service KPIs		2020	2021
1	Billing queries - Response	99.94% (1 working day)	99.97% (1 working day)
2	Response to queries - Complaints meaningfully addressed	98.84% (3 working days)	95.36% (3 working days)
3	Telephone queries - Response	98.99% (10 seconds)	99.50% (10 seconds)
4	<u>Customer Care Centres</u>		
	(i) Average Service Wait Time	3.17 minutes	2.25 minutes
	(ii) Average Service Time	4.12 minutes	3.43 minutes
	(iii) Average Payment Wait Time	1.30 minutes	0.83 minutes
	(iv) Average Payment Service Time	1.03 minutes	0.90 minutes
	(v) Total Customers Served	528,568	417,757
	(vi) Total Stubs Collected	499,942	386,333
	(vii) Total Collections Handled	RM138.3 million	RM99.9 million
5	<u>24-Hour Call Centre</u>		
	(i) Total number of calls received within 10 seconds	88,836	108,776
	(ii) Total number of calls answered within 10 seconds	87,941 (99.3%)	108,227 (99.5%)

In striving to provide friendly, caring and responsive customer services in Penang, PBAPP engaged its customers on the following communication platforms in 2021:

- “Live” advice and assistance at 9 Customer Service Centres located in KOMTAR, Balik Pulau, Bayan Baru, Rifle Range, Kepala Batas, Taman Selat, Bukit Mertajam, Prai and Jawi;
- Phone conversations through the PBAPP 24-Hour Call Centre;
- Online assistance through emails sent to customer@pba.com.my (direct from any email client or via the www.pba.com.my website);

Management Discussion & Analysis (“MDA”) 2021 (Cont’d)

PBAPP CUSTOMER SERVICE REPORT (CONT'D)

In striving to provide friendly, caring and responsive customer services in Penang, PBAPP engaged its customers on the following communication platforms in 2021: (cont'd)

- The “myPBA” mobile app for smartphones and tablets (available for download from the Apple App Store and Google Play Store) for mobile bill payment, issues reporting and water interruptions services;
- The <https://mypbaportal.pba.com.my> “myPBA portal” for bill payment using PCs; and
- PBAPP Facebook (FB) postings, updates and feedback.

As reflected in the SPAN customer service KPI table, more Penang water consumers have opted for mobile and/or online customer service interactions in 2021 due to Covid-19 safety concerns and MCO restrictions.

Worthy of note are the following customer service data for 2021:

- The number of customers served at PBAPP customer service centres dropped by 21.0%, from 528,568 customers in 2020 to 417,757 customers in 2021.
- The value of bill collections at PBAPP customer service centres has declined by 27.8%, from RM138.3 million in 2020 to RM99.9 million in 2021. Conversely, water bill payments via the “JOMPay” e-banking facility, “myPBA” mobile app and the updated “myPBA portal” for PCs have increased by 27.8%, from RM111.7 million in 2020 to RM142.7 million in 2021.
- As at 31.12.2021, the myPBA mobile app has been downloaded 326,560 times from the Apple App Store and Google Play Store. There are now 151,350 myPBA registered users, with 136,262 users (90.0%) registering multiple accounts (ostensibly to pay water bills on behalf of their family members/and/or friends).
- The number of calls received by the 24-hour Call Centre has increased by 22.4%, from 88,836 calls in 2020 to 108,776 calls in 2021.
- The PBAPP FB page has garnered 23,264 followers.

PENANG WATER TARIFFS

Penang’s average water tariff for domestic water consumption of the first 35,000 litres per month are the lowest in Malaysia, at RM0.32 per 1,000 litres. The national average tariff for this category of domestic consumption, as reported in the MWIG 2019 is RM0.71 per 1,000 litres.

PBAPP bills the lowest domestic water tariff in the country by cross-subsidising it with earnings from trade water consumption. The real-world cost of water production is higher than RM0.32 per 1,000 litres. As such, by charging domestic consumers RM0.32 per 1,000 litres for the first 35,000 litres per month, PBAPP is effectively subsidising domestic water consumption for every domestic consumer in Penang, every month.

PENANG WATER TARIFFS (CONT'D)

In 2021, the domestic water subsidy amounted to RM97.3 million. While sustaining “people-friendly” domestic tariffs is a popular corporate social responsibility (CSR) gesture, it is no longer rational or sustainable at a point in time wherein PBAPP needs to invest to upgrade Penang’s water supply infrastructure for the future.

Penang’s trade (or business) category tariffs start off at RM1.36 per 1,000 litres for the first 500,000 litres per month. The national average is RM1.87 per 1,000 litres for the first 500,000 litres per month.

In terms of ranking (based on the MWIG 2019 report), Penang’s trade tariff is the third lowest in Malaysia. The only other states that charge less are Terengganu and Perlis.

The last tariff review in Penang was in 2015.

In 2019, PBAPP publicly stated that it was planning to apply for a Penang water tariff review. However, in 2020, the Ministry of Environment and Water (KASA) announced that all water tariff review proposals in Malaysia will be put on hold due to the negative socioeconomic effects of the Covid-19 pandemic.

It should be noted that the Federal Government has assumed responsibility for the regulation of the water supply industry in Malaysia. All licensed Malaysian water operators, including PBAPP, are required to comply with Federal laws, vis-à-vis the Water Services Industry Act 2006 (WSIA 2006 - Act 655) and the SPAN Act 2006 (Act 654).

The National Water Services Commission (SPAN) regulates the water supply industry in accordance with the WSIA 2006, which requires water supply operators to apply to SPAN for water tariff reviews.

PBAPP will apply for a water tariff review based on its 5th business plan submission to SPAN. The amount for the review will be based primarily on operating expenditure (OPEX) and capital expenditure (CAPEX) projections.

Every water tariff review in every state in Peninsular Malaysia is subject to Federal Government approval before it may be passed, following an amendment to the WSIA 2006.

PBAPP cannot legally or arbitrarily introduce new water tariffs in Penang without Federal Government approval.

PLANS FOR THE FUTURE

PBAPP managed its water supply operations in Penang effectively and efficiently in 2021, for the benefit of 658,910 water consumers.

However, Penang’s water risk level has escalated further during the year in review, due to the following key factors:

1. Rising water demand

In 1998, the year before PBAPP was corporatised, water consumption in Penang was recorded as 536 million litres per day (MLD). In 2021, the registered water consumption in Penang was 860 MLD. This reflects a 60.4% increase in water consumption over 23 years.

Looking ahead, Penang water demand has been projected to increase to 1,532 MLD by 2030 and 2,178 MLD by 2050.

Management Discussion & Analysis (“MDA”) 2021 (Cont’d)

PLANS FOR THE FUTURE (CONT'D)**2. Limited in-state raw water resources**

Penang is a relatively small state in Malaysia with a land area of 1,048 sq. km. A limited land area means that Penang has limited raw water resources, such as rivers and streams, to tap for water supply.

As at 2021, PBAPP had already tapped all the available and viable raw water resources in Penang for conventional water treatment operations.

In fact, Penang is “over-dependent” on only one major raw water resource: Sungai Muda. More than 80% of the raw water that PBAPP abstracted daily in 2021 was abstracted from this river, at the Lahar Tiang Intake in Seberang Prai Utara, Penang.

Penang started tapping Sungai Muda in 1973 when the second Prime Minister of Malaysia, Tun Haji Abdul Razak bin Dato’ Hussein launched the Sungai Muda Water Scheme (SMWS).

The SMWS was meant to ensure water supply sufficiency for Penang for 27 years, until 2000. It is now 2022.

3. Threats related to Sungai Muda

Since May 2020, the Kedah Menteri Besar (Kedah MB) has been announcing projects to exploit Sungai Muda and its water catchment area, Ulu Muda:

- a. May 2020: Ulu Muda re-opened to logging companies.
- b. December 2020: Kedah approved a permit for a company to carry out non-radioactive rare earth elements (REE) mining in Ulu Muda.
- c. March 2021: “TAPS Project” to build water storage facilities along Sungai Muda, upstream of PBAPP’s raw water intake at Lahar Tiang.
- d. August 2021: Proposal to build a new international airport, an “aerotropolis”, an aerospace/ logistics/ manufacturing hub and other property developments on 3,982.51 hectares of land adjacent to two sections of Sungai Muda’s riverbank. This project’s sewerage planning report indicated that it would discharge 40 MLD of wastewater into Sungai Muda in the period 2021-2025 and 100 MLD of wastewater from 2036 and beyond, just 6km upstream of PBAPP’s Lahar Tiang Intake.

4. Climate change and rainfall in Penang’s water catchment areas

In September 2020, the effective capacity of the Teluk Bahang Dam plummeted to a reported all-time low level of 16.0%, primarily due to abnormally low rainfall in its catchment areas over a one-year period, from 1.8.2019 to 31.7.2020. It took almost 15 months of rainfall (and diversion of raw water from 2 other water catchment areas during rainy seasons) to refill the Teluk Bahang Dam to 87.6% effective capacity in December 2021.

PLANS FOR THE FUTURE (CONT'D)

5. Delay in the SPRWTS

In 2011, the Penang State Government and PBAPP proposed the implementation of the Sungai Perak Raw Water Transfer Scheme (SPRWTS) to the Federal Government. It proposes to tap Sungai Perak (in Perak) as a long-term raw water resource for Penang and North Perak. As it stands in 2022, this is still the most “rational” long-term raw water solution to ensure raw water security until 2050.

However, the SPRWTS has been delayed for 11 years (2011 – 2022). If Penang were to continue to rely solely on the implementation of the SPRWTS, this project must be commissioned by 2030 to prevent a water crisis. Projections indicate that the implementation period for the SPRWTS is 7 years. There is no guarantee that this scheme can come online by 2030 for Penang to avoid a water crisis.

“Penang Water Supply Initiative 2050” (PWSI 2050).

In its initial form, the PWSI 2050 presented a viable roadmap for Penang to achieve raw water security until 2050, taking into account the delay in the SPRWTS.

The long-term aspects of the PWSI 2050 are being further streamlined to address the possibility of Sungai Muda being contaminated, polluted or otherwise compromised as a raw water resource for Penang towards 2050.

For the short to medium-term, the PWSI 2050 recommends implementation of the following projects to mitigate Penang’s water risks and ensure water supply sufficiency in SPS:

Proposed projects		Potential yield in MLD (million litres/day)	Projected completion
a.	Phase 2 Sungai Dua Water Treatment Plant (WTP) sedimentation tanks upgrade	91 MLD	2022
b.	Package 12A, Sungai Dua WTP: additional new water treatment module	114 MLD	2023
c.	Phase 1, Mengkuang Dam WTP	114 MLD	2025
d.	Phase 1, Sungai Muda WTP	114 MLD	2028
e.	Sungai Perai Water Supply Scheme	136 MLD	2028

These pre-2030 projects have been categorised as components of Penang’s “Raw Water Contingency Plan 2030” (RWCP 2030). The primary objective of the RWCP 2030 is to “buy time” for Penang until the projected commissioning of the SPRWTS in 2030.

Beyond 2030, the PWSI 2050 provides Penang with the 3 options:

1. Relying solely on the SPRWTS (if it is commissioned) as a long-term raw water resource;
2. Deploying desalination plants if the SPRWTS is not commissioned, to tap a theoretically unlimited supply of seawater for water supply purposes; or

Management Discussion & Analysis (“MDA”) 2021 (Cont’d)

PLANS FOR THE FUTURE (CONT'D)

Beyond 2030, the PWSI 2050 provides Penang with the 3 options: (cont'd)

3. A “hybrid SPRWTS & desalination” solution that may be customised to moderate costs and still allow Penang to tap seawater and achieve a better level of water security (especially during dry seasons when there is less rainfall in the water catchment areas).

In summary, PBAPP has prepared a viable roadmap for Penang to avoid a water crisis over the next 30 years.

However, due to its complexity and the cost implications, the PWSI 2050 is subject to review and approval by the Penang State Government. The costs of the PWSI 2050 projects will ultimately be passed on to the people and businesses in Penang (as the “end-users” of treated water), in the form of higher water tariffs chargeable in the future.

In the interest of achieving water supply security towards 2050 the implementation of the PWSI 2050 (in one form or another) is necessary for their well-being in the future, although they will have to pay more for their water supply.

In totality, the amount of investment required for the PWSI 2050 is significant.

However, the PWSI is a “modular” roadmap. It allows for the costs, and therefore water tariffs, to be moderated and/or amortised over a 30-year period. The pace of project development and implementation may be determined by actual water demand.

The bottom-line is that there is no substitute for water as an essential element for daily life and socioeconomic progress. If Penang has enough water, it may continue to pursue a path of unlimited potential growth. If Penang does not have enough water, its growth will always be limited by risks and threats, especially external risks and threats that may be beyond the control of the Penang State Government.

END NOTE:

This MDA should be read together with the Chairman’s Message and the CEO’s Message to present a comprehensive viewpoint of PBAHB’s performance in 2021 and future plans as at the first quarter of 2022.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of PBA Holdings Bhd (“PBAHB” or “the Company”) is pleased to present the Corporate Governance (“CG”) Overview Statement to provide shareholders and investors with a summary of the CG practices of the Company for the year ended 31 December 2021 (“FY2021”) as set out in the Malaysian Code on Corporate Governance (“MCCG” or the “Code”) with reference to the following three key principles: -

Principle A	Principle B	Principle C
Board leadership and effectiveness	Effective audit and risk management	Integrity in corporate reporting and meaningful relationship with stakeholders
• Board responsibilities • Board composition • Remuneration	• Audit committee • Risk management and internal control	• Communication with stakeholders • Conduct of general meetings

This overview statement is prepared in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and should be read in conjunction with the CG Report of the Company for FY2021, which is available on the Company’s website at www.pbahb.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Group is led by Board members who have a wide range of competencies and experience ranging from the accounting, business, legal and public service sectors.

The Board of the Company strives to ensure that the Company’s strategic objectives set are well-conveyed throughout the Company in order to achieve the Company’s short and long term goals as a fundamental part of discharging its responsibilities to protect and create value for all stakeholders and raise the Company’s performance. The Board is guided by the prevailing legal and regulatory requirements such as the Companies Act 2016 (the “Act”) and the MMLR, the MCCG, as well as the Company’s Constitution and Board Charter in discharging its fiduciary duties and responsibilities. The Board has ensured that it had set the appropriate tone at the top, providing thought leadership and championing good governance and ethical practices throughout the Company.

All the Directors of the Company had objectively discharged their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

Presently, the Board comprises only Non-Executive Directors and their role is to provide constructive challenge, strategic guidance, offer specialist advice and hold the Management to monitor and account in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the Management at all levels and they engage with the external and internal auditors to address matters concerning the Management. They will monitor business performance and scrutinise the performance of Management against the Company’s objectives and targets.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Board Responsibilities (Cont'd)**

To enable the Board to carry out its responsibilities in meeting the Company's goals and objectives, the Board had, among others carried out the following as guided by the Board Charter: -

- a) To develop, monitor and review the Group's strategic plan to ensure that sufficient resources are available or have been allocated to meet its objectives;
- b) To ensure the Group's core values, vision and mission and shareholders' interests are met;
- c) To supervise the operations of the Group and evaluate whether established targets are achieved;
- d) To identify principal risks and ensure the implementation of appropriate systems to manage these risks;
- e) To promote better investor relations and shareholder communication;
- f) To review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- g) To set up such committees, policies and procedures to effectively discharge the Board's roles and responsibilities;
- h) To initiate a Board self-evaluation program and follow-up action to deal with issues arising and arrange for Directors to attend courses, seminars and participate in development programs as the Board judges appropriate;
- i) To ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility; and
- j) To monitor the compliance with all relevant statutory and legal obligations.

The Board delegates the ordinary Management of the Group's business to the Chief Executive Officer ("CEO") and Management Committee of Division Heads and Heads of Department. Management's performance was assessed by the Board through the quarterly reports which were tabled to the Board. The reports included a comprehensive summary of the Company's risks and financial performance during each reporting period. The Board is also kept informed of the key strategic initiatives, significant operational issues and the Company's performance based on the approved Key Performance Indicators ("KPIs").

In order to ensure the effective discharge of its functions and responsibilities to oversee the Company's affairs, specific powers of the Board were delegated to the related Board Committees and CEO. The Board Committees consists of the Audit and Risk Management Committee ("ARMC"), the Nomination and Remuneration Committee ("NRC") and the Integrity Committee ("IC").

The Board Committees are entrusted with specific responsibilities to oversee the Company's affairs with authority to act on behalf of the Board in accordance with their respective terms of reference. Although specific powers are delegated to the Board Committees, the Board keeps itself abreast of the key issues and decisions made by each Board Committee through the reports by the Chairpersons of the Board Committees. These Board Committees are chaired by different directors. This removes the risk of self-review by the Chairman. The Board can therefore objectively deliberate the observations put forth by these committees.

However, significant matters such as approval of financial results, declaration of dividends, risk appetite setting, short term and medium term business plans/policies, annual budget and appointment of key responsible persons are reserved for the Board's consideration and approval.

The Board is committed to maintaining a good risk management framework and sound system of internal control within the Group.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Roles and Responsibilities of Chairman of the Board

YAB Tuan Chow Kon Yeow is the Non-Independent and Non-Executive Chairman of the Board. He is primarily responsible for matters pertaining to the Board and overall conduct of the Group. The Chairman is neither a member of the ARMC, the NRC nor the IC. The Chairman leads the Board in ensuring its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.

The Chairman is also responsible for: -

- i) Providing leadership to the Board so that the Board can perform its responsibilities effectively;
- ii) Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- iii) Conducting the Board's functions and meetings by leading board meetings and discussions;
- iv) Overseeing the effective discharge of the Board's supervisory role;
- v) Facilitating the effective contribution of all Directors and encouraging active participation and allowing dissenting views to be freely expressed;
- vi) Briefing all the Directors in relation to issues arising at meetings;
- vii) Promoting constructive and respectful relations between Board members and between the Board and the Management;
- viii) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- ix) Leading the Board in establishing and monitoring good corporate governance practices in the Company.

Roles and Responsibilities between the Chairman and CEO

In line with the Code, there is a clear division of responsibilities between the Chairman and CEO. The positions of the Chairman and CEO are held by two (2) different individuals to promote accountability and facilitate division of responsibilities between them. In this regard, no one individual can influence the Board's discussions and decision-making.

Generally, the Chairman is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group, while the CEO focuses on the business and day-to-day management of the Company, to ensure implementation of policies and strategies approved by the Board and to communicate to the Board on matters pertaining to the business results and performance of the Group. The distinct and separate roles of the Chairman and CEO, with a clear division of responsibilities, ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, and are clearly defined in the Board Charter.

The CEO is responsible for the operations of the Group with respect to both its regulatory and commercial functions. Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), is a subsidiary of the Company, whose principal activity is to undertake the business activity of a water supply system which comprises abstraction of raw water, treatment of water, supply and sale of treated water to consumers in Penang. PBAPP is subject to the Suruhanjaya Perkhidmatan Air Negara ("SPAN") rules and regulations on water matters.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Roles and Responsibilities between the Chairman and CEO (Cont'd)**

The CEO holds an executive post and not being a member of the Board, has significant responsibilities to run the business based on the strategic plans and ensure the conduct of the business and procedures are properly executed. The CEO presents to the Board, the recommended strategies, proposed business plans and budgets at a dedicated session which includes KPIs. The Board would give its feedback on focus areas, key initiatives and service/product roadmaps in the preparation of Key Action Plans.

Company Secretary

In compliance with Practice 1.5 of the Code, the Board is supported by suitably qualified and competent Company Secretaries. The following are the existing Company Secretaries of the Company: -

1. Ms. Chua Siew Chuan
2. Ms. Thum Sook Fun
3. Ms. Chew Peck Kheng

The Company Secretaries supported the Board and the relevant Board Committees to ensure their effective functioning in accordance with their terms of reference and best practices, and in managing the corporate governance framework of the Company. The Company Secretaries also advised the Directors on their fiduciary and statutory duties, as well as compliance with company law, the MMLR, the Company's Constitution, the Code, and other pertinent regulations governing the Company, including guiding the Board towards the necessary compliance.

The Company Secretaries, or their representatives, had during the year:

- together with Management, managed all Board and Board Committees meeting logistics;
- attended and recorded minutes of all Board, ARMC and NRC meetings and facilitated Board communications;
- ensuring that the appointment of director(s) to the Board and/or Board Committees are properly made in accordance with the relevant regulations and/or legislations;
- advised the Board on its roles and responsibilities;
- briefed the Board on the latest updates and guidance issued by Bursa Malaysia Securities Berhad, the Companies Act 2016 and the Securities Commission Malaysia;
- facilitated the conduct of assessments be undertaken by the Board and Board Committees and compiled the results of the assessment;
- advised the Board on corporate disclosures and compliance with company and securities regulations and MMLR; and
- managed processes of the Twenty-first Annual General Meeting ("AGM").

The Company Secretaries constantly keep themselves abreast on matters concerning company law, the capital market, corporate governance and other pertinent matters, and with changes in the same regulatory environment, through continuous training and industry updates.

All members of the Board, whether as a whole or in their individual capacity, have access to the advice and services of the Company Secretaries on all matters relating to the Group to assist them in the furtherance of their duties.

The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its function and duties.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Board Meetings and Access to Information

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the Directors' attendance record at Board meetings as set out in the summary.

The Board would have at least four (4) regular scheduled meetings annually, with additional meetings convened as and when necessary.

A total of six (6) Board meetings were held in the year 2021. The following is the record of attendance by the Board members during their tenure in office and all Directors have complied with a minimum of 50% attendance as stipulated by Paragraph 15.05(3)(c) of the MMLR:

Names of Directors	Attendance Record
YAB Tuan Chow Kon Yeow	6 out of 6
YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman	5 out of 6
YB Prof. Dr. P. Ramasamy A/L Palanisamy	6 out of 6
YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus ^(Note 1)	N/A
YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari	6 out of 6
YB Tuan Zairil Khir Johari	6 out of 6
YB Tuan Muhammad Faiz Bin Fadzil	6 out of 6
YB Dato' Muhammad Bakhtiar Bin Wan Chik ^(Note 2)	4 out of 5
YBhg. Dato' Agatha Foo Tet Sin	6 out of 6
Puan Mary Geraldine Phipps	6 out of 6
YBhg. Dato' Brian Tan Guan Hooi	6 out of 6
Encik Ha Charm Mun ^(Note 3)	5 out of 5
Cik Lim Kim Suan ^(Note 4)	2 out of 2
YB Dato' Seri Abdul Razak Bin Jaafar ^(Note 5)	6 out of 6

Notes:-

- ^(Note 1) - YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus was appointed as a Non-Independent and Non-Executive Director on 22 February 2022.
- ^(Note 2) - YB Dato' Muhammad Bakhtiar Bin Wan Chik was appointed as a Non-Independent and Non-Executive Director on 1 March 2021.
- ^(Note 3) - Encik Ha Charm Mun was appointed as an Independent and Non-Executive Director on 1 March 2021.
- ^(Note 4) - Cik Lim Kim Suan was appointed as an Independent and Non-Executive Director on 1 July 2021.
- ^(Note 5) - YB Dato' Seri Abdul Razak Bin Jaafar had ceased as a Non-Independent and Non-Executive Director on 25 November 2021.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Board Meetings and Access to Information (Cont'd)**

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least seven (7) days before the Board meeting. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. There is a process in place for Non-Executive Directors to seek clarification or obtain details concerning the Board agenda papers from the Management or the Company Secretaries or seek independent professional advice. Confidential papers or urgent proposals were presented and tabled at the Board meetings under a supplementary agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors had a proper and relevant depiction of the issues at hand in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner.

The Minutes of the Board / Board Committee meetings are circulated to the respective Chairman or Chairpersons in a timely manner for review before these minutes are confirmed. All Board members reviewed and confirmed the meeting minutes to ensure they accurately reflected the deliberations and decisions of the Board, including whether any Director abstained from voting or deliberation on a particular matter.

At the Board meetings, the Chairpersons of the respective Board Committees will report, advise and recommend to the Board, their salient views and conclusions of the respective agendas. The Chairman has ensured that Board Committee meetings are not combined with the main Board meeting. This enables objective and independent discussions during the Board and Board Committee meetings.

The CEO, Chief Operating Officer (“COO”), Chief Financial Officer (“CFO”) and Senior Management were invited to the Board or Board Committee meetings to table and report on matters relating to their respective areas of responsibility and also to brief and provide information and recommendations to the Directors and Board Committees.

The Board had access to reports, papers on specific issues, information on major financial and operational matters. Management supplied sufficient information to the Board in a timely manner to enable the Board to perform its duties effectively. The Directors may seek advice from the Management on issues under their respective purview. The Directors may also interact directly with the Management, or request for further explanation, information or updates on any aspect of the Company’s operations or business concerns.

In this way, the Board had full access to all information on the Company’s affairs to enable the proper discharge of duties.

In addition, the Board / the Board Committees may seek independent professional advice at the Company’s expense on specific issues to enable the members of the Board / Board Committees to discharge their duties in relation to matters being deliberated in accordance with the Board Charter / the respective Terms of reference of the Board Committees.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Continuing education programme

The Board oversees the training needs of the Directors. Directors are regularly updated by the CEO and Senior Management on the Group's business and the regulatory environment in which they operate.

In accordance with the MMLR, all Directors appointed to the boards of public listed companies are required to attend the Mandatory Accreditation Programme ("MAP"). During the financial year 2021, YB Dato' Muhammad Bakhtiar Bin Wan Chik and Encik Ha Charm Mun had attended the MAP in May 2021. Cik Lim Kim Suan attended the MAP in July 2021. The newly appointed Director, YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus will attend the MAP in May 2022.

The Directors are encouraged to attend various professional programmes which were necessary to enable them to keep abreast with the changes in guidelines issued by the relevant authorities as well as on the latest developments in the market place, to complement their services to the Group. They have attended programmes on finance and responding to the Covid-19 pandemic. These include: -

1. COVID-19 and Business Continuity Management by the Malaysian Institute of Accountants;
2. Managing Human Rights: Why is it important to corporations by KPMG;
3. Audit Oversight Board Conversation with Audit Committees by the Securities Commission; and
4. Frequently Committed Offences under Companies Act 2016 & Statutory Records Updates by MICPA, Malaysia; and
5. Budget 2022 – Key Update and Changes for Corporate Accountants by the Malaysian Institute of Accountants.

In addition, the Directors are kept informed with the relevant updates on statutory and regulatory requirements from time to time by the Company Secretaries during Board meetings.

Board Charter

The Board has a Board Charter that is in line with the MCCG. The Board Charter clearly identifies the respective roles and responsibilities of the Board, Board Committees, individual directors, Management, as well as issues and decisions reserved for the Board, the Board's governance structure and authority, and terms of reference of the Board, Board Committees and management.

The updated Board Charter is available on the Company's website at www.pbahb.com.my.

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions and authorities to two (2) of its Board Committees, namely, the ARMC and the NRC. These Committees are entrusted with specific responsibilities to assist the Board in overseeing the Company's affairs, in accordance with their limits of authority and respective Terms of Reference ("TOR"), which are published on the Company's website. These TOR are reviewed as and when required, and were recently amended to reflect the latest compliance requirements as a result of changes in the regulatory framework. The Board kept itself abreast of the responsibilities delegated to each Board Committee, and matters deliberated at each Board Committee meeting through the reports made by the respective Board Committee Chairpersons, at Board meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Code of Conduct and Ethics**

The Board has in place a Code of Conduct for the Directors, Management and employees of the Company and its subsidiaries. The Code of Conduct provides the guidance to all employees of the Company in the aspect of conflicts of interest, gifts and hospitality, integrity and professionalism, public statements and confidentiality, protection and use of the Group's assets or property, reporting illegal or non-compliant conduct, compliance with laws and regulations, violation of the Code of Conduct and consequences of non-compliance with the Code of Conduct.

The Code of Conduct and Ethics is available on the Company's website www.pbahb.com.my.

The Group has adopted a policy pertaining to integrity and the Group's anti-bribery practice and the said policy is published on the Company's website. Employees are made aware that relevant disciplinary action will be taken for unethical behaviour and misconduct.

Whistleblowing Policy

The Board has in place a Whistleblowing Policy. The Whistleblowing Policy is as an essential part of the Group's internal control system setting out a framework for all employees and stakeholders of the Group to report any concern about any malpractice within the Group. It also helps to nurture a good organisational culture within the Group and develops a culture of openness, transparency, accountability and integrity, which ultimately formulates standards of corporate behaviour creating an ethical corporate climate.

In addition to the above and in order to improve the overall organisational effectiveness and to uphold the integrity of the Company in the eyes of the public, whilst at the same time being an entity that serves the interest of the nation, the Company has instituted the whistleblowing program which acts as a formal communication channel and the staff can communicate concerns in cases where the Company's business conduct is deemed to be contrary to the Company's common values. Details of the said Whistleblowing Policy are set out in this Annual Report. The Whistleblowing Policy is available on the Company's website.

Sustainability

The Senior Management drives the strategic management of the Company's sustainability matters. They plan and implement long-term strategic plans to guarantee Penang's water supply security in the future, such as the three (3) years' business plan etc. The Board and Management continuously engage and consider the views of its stakeholders to better understand and manage the Company's sustainability risk and opportunities.

PBAHB regularly releases press statements to inform the public and shareholders on its business priorities, strategies and targets. Material sustainability matters and its long term plans are also disclosed in the Annual Report. The Board is kept abreast by Senior Management on the Group's sustainability matters and strategic plans to ensure long-term business sustainability. This gives them an understanding of the business risks and opportunities. During its annual assessment, the Board reviewed its performance in addressing the company's material sustainability risks and opportunities.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Sustainability (Cont'd)

A sustainability committee was established in 2018 and is led by the CEO. The Committee discusses the sustainability matters, stakeholders' expectations, and the prioritisation of sustainability matters. For further information, kindly refer to the PBAHB Sustainability Statement 2021.

Board Composition

The Board currently consists of thirteen (13) Board members, all holding non-executive positions, of which five (5) are Independent and Non-Executive Directors. This complies with the Company's Constitution, where the number of directors shall not be less than two (2) nor (unless otherwise determined by the Company at the General Meeting) more than 17. The Board also complies with paragraph 15.02 of the MMLR which requires at least two (2) Directors or 1/3 of the Board of the Company, whichever is higher, to be independent directors.

The Board is of the view that the number of Independent Non-Executive Board members with wide Boardroom experience and expertise is sufficient to provide independent objectivity and added perspectives to the Board's decision making process.

The Board took note of the MCGG's Practice 5.2 which provides that at least half of the Board should comprise Independent Directors. However, the Board has no plan to increase the number of the Independent Directors in the Company at this juncture in view of the fact that all the Board members are holding Non-Executive positions.

The Board is supportive of boardroom diversity as it can offer greater depth and breadth compared to a non-diverse board. The Board practices no discrimination in terms of appointment of Directors as well as hiring employees, wherein they are appointed based on their merit, skills and experience.

Currently, the women on the Board, Top and Senior Management are as follows: -

1. YBhg. Dato' Agatha Foo Tet Sin (Senior Independent and Non-Executive Director)
2. Puan Mary Geraldine Phipps (Independent and Non-Executive Director)
3. Cik Lim Kim Suan (Independent and Non-Executive Director)
4. Dr. Mary Ann Harris (CFO)
5. Puan Joyce Lee Suan Imm (Head of Corporate Affairs Division)

The Company has three (3) women Directors on the Board. The Board took note of the MCGG's Practice 5.9 that the Board shall comprise at least 30% women directors. The Board will consider appointing suitable women candidates when vacancies arise.

Commitment

The Directors do not hold more than five (5) directorships of any listed issuer at any one time. This is in line with the MMLR and ensures the Directors are able to discharge their responsibilities effectively.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Evaluating the Board**

The Board has through the NRC conducted the following assessment in the FY2021: -

- Directors' self-assessment;
- Evaluation on the effectiveness of the Board as a whole and Board Committees;
- Assessment of Independent Directors; and
- Review of the term of office and performance of the ARMC.

Based on the outcome of the evaluation, the NRC is:

- Satisfied with the performance of the Board;
- Satisfied with the effectiveness of the Board and Board Committees;
- Satisfied with the level of independence demonstrated by the Independent Directors and their ability to act in the best interest of the Company; and
- Satisfied with the performance of the ARMC.

The evaluation was internally facilitated. Overall, it was concluded that the Board and Board Committees have discharged their duties and responsibilities adequately.

The Board will consider engaging a professional, experienced and independent party to lend greater objectivity to the assessments as and when required.

Tenure of Independent Directors

Pursuant to Practice 5.3 of the MCCG, the Group is required to seek shareholders' approval if it intends to retain an Independent Director, who has served the Company for a cumulative term of more than nine (9) years. Upon completion of the nine years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director for more than nine years, it should justify its decision and seek annual shareholders' approval at the AGM.

Pursuant to the letter issued by Bursa Malaysia Berhad on 19 January 2022, Paragraph 1.01 of the MMLR will be amended to limit the tenure of an independent director to not more than a cumulative tenure of 12 years from the date of such person's first appointed as an Independent Director in the Company. All long serving independent directors impacted by this proposed amendments shall be re-designated as non-independent directors or replaced by the Board on or after 1 June 2023.

Currently, YBhg. Dato' Agatha Foo Tet Sin, an Independent Director of the Company has been serving the Board for a cumulative term of more than twelve (12) years since 9 June 2009. The Board of Directors of the Company, through its NRC, after having assessed the independence of Dato' Agatha, still regard her to be objective and independent in expressing her views, participating in the deliberation and decision making of the Board and Board Committees. Her length of service does not in any way interfere with her ability to exercise independent judgement and to act in the Company's best interests. The Company will seek its shareholders' approval at the AGM to retain YBhg. Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director, compliance with the Code. The Board would take appropriate action as recommended by the MCCG for the retention of such a Director as an Independent Director.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Appointments to the Board

Generally, the Board through the NRC, will assess the candidate for proposed directorship in considering their skills, knowledge, education, qualities, expertise and experience, professionalism, integrity, time commitment, contribution, Boardroom diversity including gender, skills, age, cultural background and other factors that will best qualify a nominee to serve on the Board. A proposed Independent Director must satisfy the test of independence of an Independent Director as defined under Paragraph 1.01 and Practice Note 13 of the MMLR. He / she must have the ability to act in the best interest of the Group, taking into account the candidate's character, integrity and professionalism.

This helps to ensure an appropriate balance between the experienced perspectives of the long term Directors and new perspectives that bring fresh insights to the Board.

There is a process for selection and nomination of suitable candidates to the Board. Potential candidates can be identified by the NRC, existing Directors or any major shareholder. The NRC reviews the suitability of candidates identified and recommends to the Board, for appointment to the Board and it is responsible to ensure that appointments are made on merit.

ARMC

Details of the ARMC are contained in the ARMC Report in this Annual Report.

Nomination and Remuneration Committee (or "NRC")

The current composition of the NRC, the majority of whom are Independent and Non-Executive Directors: -

Name	Designation	Directorship
YB Prof. Dr. P. Ramasamy A/L Palanisamy	Chairman	Non-Independent and Non-Executive Director
YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari	Member	Non-Independent and Non-Executive Director
YBhg. Dato' Agatha Foo Tet Sin	Member	Senior Independent and Non-Executive Director
YBhg. Dato' Brian Tan Guan Hooi	Member	Independent and Non-Executive Director
Puan Mary Geraldine Phipps	Member	Independent and Non-Executive Director
Encik Ha Charm Mun (appointed on 23 April 2021)	Member	Independent and Non-Executive Director
Cik Lim Kim Suan (appointed on 1 July 2021)	Member	Independent and Non-Executive Director

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Nomination and Remuneration Committee (or “NRC”) (Cont'd)**

There is a formal and transparent procedure for the appointment of new Directors to the Board, the primary responsibility of which is delegated to the NRC, with the membership comprising exclusively, Non-Executive Directors, the majority of whom are independent. This composition of only Non-Executive Directors with the majority as Independent and Non-Executive Directors in the Committee ensures that any decisions made are impartial and in the best interest of the Group, without any element of fear or favour.

Currently, the Chairman of the NRC is YB Prof. Dr. P. Ramasamy A/L Palanisamy, who is a Non-Independent and Non-Executive Director. YB Prof. Dr. P. Ramasamy is also the Chairman of the Establishment Committee of its wholly-owned subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. (“PBAPP”). Hence, he is familiar with the staffing issues in the Group.

The Board is satisfied with the composition of the NRC and confident that this Committee discharges its functions efficiently and effectively with respect to the nomination and remuneration matters.

The NRC convened five (5) meetings in FY2021 and performed the following activities in the discharged of its duties: -

- i) The NRC conducted an annual assessment of the effectiveness of the Board as a whole and the various Board Committees. Based on the assessment of Board effectiveness as a whole, it was concluded that the Board and Board Committees have discharged their duties and responsibilities adequately;
- ii) The NRC conducted its annual assessment on the Independent and Non-Executive Directors and made its recommendations to the Board. The Board was satisfied with the level of independence demonstrated by each of the Independent and Non-Executive Directors of the Company;
- iii) The NRC reviewed and recommended the re-election of Directors who are to retire by rotation at the 22nd AGM of the Company. The NRC also reviewed the required mix of skills and experiences and other qualities of the Board during such review before making recommendations to the Board;
- iv) The NRC reviewed the recommendation from the Management and proposed to the Board the year-end bonus and annual salary increment for the eligible employees of the Group;
- v) The NRC reviewed the performance of the CEO, COO and the CFO and appraised the performance of the Head of Internal Audit of the Company;
- vi) The NRC reviewed and recommended to the Board the appointment of the Independent and Non-Executive Directors of the Company; and
- vii) The NRC reviewed 2022 Key Performance Indicators (“KPIs”) of the CEO, CFO, COO and the Head of Internal Audit of the Company.

In recommending suitable candidates for directorships and Board Committees to the Board, the NRC takes into consideration the candidate’s experience, competency, character, time commitment and potential contribution to the Group. Any new nomination received is recommended to the Board after a comprehensive assessment and the NRC’s endorsement

The Terms of Reference of the NRC is available on the Company’s website.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Directors' remuneration

None of the Directors received any basic salary or bonus, as all the Directors are Non-Executive Directors. The Company only paid fixed monthly and meeting allowances to the Directors.

The Non-Executive Directors are remunerated based on the allowances and benefits approved by the shareholders during each AGM as required by Section 230 of the Act and Paragraph 7.24 of the MMLR.

The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' Remuneration on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company.

The present remuneration structure for the Non-Executive Directors as approved by the Board is as follows:-

	Description			
	Monthly fixed allowance (RM)		Meeting allowance (RM) (per meeting)	
	Company	Subsidiaries	Company	Subsidiaries
Chairman	3,000	3,000	300	300
Deputy Chairman	1,500	1,500	300	300
Non-Executive Directors	1,000 - 1,500	1,000	300	300

Other Claimable Benefits: Business travel and accommodation, communication, medical coverage and other claimable benefits.

As required by Section 230 of the Act, the payment of the Directors' benefits up to an amount of RM650,000 for the period from 23 June 2021 until the conclusion of the upcoming 22nd AGM have been presented to the shareholders and duly approved by them at the 21st AGM held on 22 June 2021.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)**Directors' remuneration (Cont'd)**

The breakdown of the Directors' allowances paid in 2021 is as follows: -

Name of Director	Allowance	Emoluments and Benefits-In-Kind	Total
	(RM), in Gross	(RM), in Gross	(RM), in Gross
YAB Tuan Chow Kon Yeow	77,400	4,274	81,674
YB Dato' Ir. Hj. Ahmad Zaki Yuddin bin Abd Rahman	40,200	4,273	44,473
YB Prof. Dr. P. Ramasamy a/l Palanisamy	30,900	1,824	32,724
YB Dato' Dr. Mohamad Farazi bin Md Zohari @ Johari	31,800	9,887	41,687
Dato' Agatha Foo Tet Sin	24,300	4,272	28,572
Puan Mary Geraldine Phipps	24,300	1,823	26,123
Dato' Brian Tan Guan Hooi	24,600	4,272	28,872
Encik Ha Charm Mun (Appointed on 01.03.2021)	20,100	9,887	29,987
Cik Lim Kim Suan (Appointed on 01.07.2021)	11,400	2,915	14,315
YB Tuan Zairil Khir Johari	28,800	4,272	33,072
YB Muhammad Faiz bin Fadzil	14,100	4,272	18,372
YB Dato' Muhammad Bakhtiar bin Wan Chik (Appointed on 01.03.2021)	11,500	10,922	22,422
YB Dato' Seri Abdul Razak bin Jaafar (Resigned on 25.11.2021)	28,300	4,272	32,572
TOTAL	367,700	67,165	434,865

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

Senior Management's Remuneration

The Board has identified the Top Five (5) Senior Management of the Company as Pivotal Positions, of which their appointment falls under the purview of the NRC and the Board. They are the CEO, COO, CFO and Heads of Human Resource Division and Corporate Affairs Division.

The Board has opted not to disclose on a named basis the top five (5) Senior Management's remuneration in the bands of RM50,000 for the best interest of the Group taking into consideration the sensitivity, security, and issue of staff morale.

The Company also considered the information of the remuneration of the Senior Management personnel to be sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's efforts in retaining executive talents. Nevertheless, an aggregate amount of remuneration / compensation of the key Management personnel was disclosed under Note 25 of the Audited Financial Statements for the FY2021.

In achieving the intended outcome, the Senior Management remuneration packages are subject to review and approval by the Board on the recommendation of the NRC. The Senior Management's performance is evaluated based on the Key Performance Indicators as set by the Board on a yearly basis.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The ARMC comprises six (6) members, all of whom are Non-Executive Directors; five (5) including the Chairperson are Independent Directors. Below is the existing composition of the ARMC: -

Chairman:

Puan Mary Geraldine Phipps (Independent and Non-Executive Director)

Members:

YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari (Non-Independent and Non-Executive Director)

YBhg. Dato' Agatha Foo Tet Sin (Senior Independent and Non-Executive Director)

YBhg. Dato' Brian Tan Guan Hooi (Independent and Non-Executive Director)

Encik Ha Charm Mun (Independent and Non-Executive Director) (*Appointed on 23 April 2021*)

Cik Lim Kim Suan (Independent and Non-Executive Director) (*Appointed on 1 July 2021*)

The ARMC is chaired by an Independent and Non-Executive Director, Puan Mary Geraldine Phipps who is not the Chairman of the Board. The Chairperson of the ARMC is a Chartered Accountant registered with the Malaysian Institute of Accountants of which she is a member, having qualified as a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants ("MICPA"). Members of the ARMC have the relevant experience and expertise to effectively perform their duties. Their profiles are disclosed in the Directors' profile in the Annual Report 2021.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

The Board, through the NRC, assesses the composition and performance of the ARMC through an annual Board Committee effectiveness assessment. Based on the assessment conducted for the FY2021, the Board was satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

As promulgated by the MCCG, the ARMC should collectively possess a wide range of necessary skills to discharge its duties and that all members should also be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process. The Board regards the members of the ARMC collectively possess the accounting and related financial management expertise and experience required for the ARMC to discharge its responsibilities and assist the Board in its oversight over the financial reporting process.

In 2021, ARMC members have attended various conferences, seminars and trainings and all members of the ARMC are mindful of the need to continue to enhance their skills and knowledge to assist them in the discharge of their duties and they have attended relevant development and training programmes according to their individual needs to keep abreast of relevant developments in accounting and auditing standards and other relevant changes in laws and regulations and to enhance their ability in discharging their duties and responsibilities more effectively.

Currently, none of the members of the ARMC were former key audit partners of any external audit firms. The Company will ensure that the cooling off period of three (3) years is observed if and when the Company is seriously considering such a person for appointment to the ARMC. The ARMC had also reviewed and revised its TOR to include the requirement for a former key audit partner to observe a cooling off period of at least three years before being appointed as a member of the ARMC.

The ARMC adopted policies and procedures to assess the suitability, objectivity and independence of the external auditors annually. The performance of the external auditors will be assessed and its assessment results will be tabled during the ARMC meeting for discussion and recommended to the Board for approval.

In addition, the ARMC also reviews the non-audit services provided by the external auditors, if any. The Company has paid RM5,000 of non-audit fees to the Group's auditors in 2021.

The ARMC meets with the Group's external auditors to review the scope and adequacy of the audit process, the annual financial statements and their audit findings. The ARMC had obtained an assurance from the external auditors confirming that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. The ARMC had met with the external auditors without Management's presence twice during the FY2021.

The ARMC also took into account the openness in communication and interaction with the audit engagement team through discussions at private meetings, which demonstrated their independence, objectivity and professionalism.

A formal and transparent relationship was established with the Group's external and internal auditors through the ARMC. The key features outlining the relationship of the ARMC with both the external and internal auditors are included in the ARMC Report furnished in the Annual Report.

The TOR of the ARMC is available on the Company's website.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management and Internal Controls

The Risk Management Committee (“RMC”) was formed in April 2002 by the Board. It is chaired by the CFO and comprises the CEO, Division Heads and Heads of Department. Since 2012, an enhanced Enterprise-wide Risk Management (“ERM”) framework has been incorporated within the Group to ensure a continuous and iterative process towards the enhancement of risk management across the Group.

The Board is committed to maintaining a good risk management framework and sound system of internal control within the Group. The Group embedded a risk management process for the identification, evaluation, reporting, treatment, monitoring and review of the major strategic, business and operation risks within the Group. The Board through the ARMC would obtain updates on the periodic checks on the internal control system.

The ARMC oversees and reviews the risk management and internal controls of the Company. The ARMC reviews and endorses the risk management framework, guidelines and other key components of risk management for implementation within the Company and throughout the Group. The ARMC also reviewed and endorsed the risk profiles of the Group. In addition, the ARMC reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage key risks.

The ARMC also oversees the risk management framework of the Group, reviews the risk management policies formulated by the Management and advises the Board on areas of high risk identified by the Group and the adequacy of compliance and controls.

The details of the risk management are set out in the Statement of Risk Management and Internal Control (“SORMIC”) in this Annual Report. The SORMIC was reviewed by the external auditors who have reported that nothing has come to their attention that had caused them to believe that the said SORMIC is inconsistent with their understanding of the process the Group has adopted in the review of the adequacy and effectiveness of the Group’s risk management and internal control systems.

Treatment of risk requires the identification and evaluation of existing controls. The risks are further reviewed considering the controls implemented. Further monitoring and evaluation of risks are carried out from time-to-time to ensure that the controls remain relevant. The monitoring and reporting of risks, controls and management actions are carried out using the ERM system.

In addition, the Company has an in-house internal audit function within the Group where the Head of the Internal Audit, who reports directly to the ARMC, undertook an independent assessment on the internal control system on a quarterly basis and assured the ARMC that no material issue or major deficiency had been noted which would pose a high risk to the overall system of internal control under review. The role of Internal Auditor is to provide independent and objective reports on the organisation’s management, records, accounting policies and internal control.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**Internal Audit Department**

The Internal Audit Department is headed by Encik Shanmuga Sundaram A/L Murugason, who holds a Bachelor of Accounting Degree with Honours from Universiti Utara Malaysia (1998) and a Masters Degree in Business Administration from Universiti Sains Malaysia (2016). Currently, he is continuing his doctorate studies in Business Administration. He is a Chartered Accountant registered with the Malaysian Institute of Accountants and also an Associate member of the Institute of Internal Auditors Malaysia (“AIIA”).

The Internal Audit Department comprises eleven (11) staff and carries out internal audit responsibilities in an unbiased manner without impairing their objectivity and independence. None of the internal audit personnel has any relationship or conflict of interest that could impair their objectivity and independence in conducting their audit.

The audit framework of organisation is aimed to enhance and protect the organisational value of the Company by providing risk-based and objective assurance, advice and insight. The audits are performed to ascertain compliance with the established organisation policies, directives, procedures and professional practice of Internal Auditing.

The Head of Internal Audit will report his findings on the Internal Audit issues and update the ARMC on a quarterly basis for ARMC’s decision and action taken before the ARMC Chairperson report to the Board for approval.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**Relations with Shareholders**

In maintaining our commitment to effectively communicate with shareholders, the Group adopted the practice of comprehensive, timely and continuing disclosures of information to its shareholders and to the general investing public. Where possible and applicable, the Group also provides additional disclosure of information on a voluntary basis. The Group believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

The Annual Report is the main channel of communication between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the annual report are also governed by the MMLR.

The Board is conscious of the importance and need to communicate with its shareholders, stakeholders and potential investors to keep them well informed on the Group’s operations and latest developments. Information disseminated to the investment community conforms to Bursa Securities’ disclosure rules and regulations.

The Company is not categorised as a “Large company” and hence, has not adopted integrated reporting based on a globally recognised framework.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

Reporting via the Internet

The Company maintains a website at www.pbahb.com.my to facilitate access on pertinent information concerning the Group and its operations by the shareholders, consumers and the public. This information includes: -

- Quarterly Announcements
- Annual Reports
- Circulars to Shareholders
- Press statements
- Board Charter
- Code of Conduct and Ethics
- Whistleblowing Policy
- Integrity Policy
- Other Important Announcements

Annual General Meeting (“AGM”)

The Company’s AGM represents the primary platform for communication with its shareholders. The AGM provides a useful forum for shareholders to engage directly with the Board and the Management of the Company.

The notice of the 21st AGM of the Company held on 22 June 2021 was issued more than 28 days prior to its meeting. This is to ensure that shareholders were given sufficient time to read and consider the resolutions presented at the 2021 AGM.

The notice of 21st AGM of the Company provided further explanation beyond the minimum content stipulated in the MMLR for the resolution proposed along with any background information and reports or recommendation that are relevant, where required and necessary, to enable shareholders to make an informed decision in exercising their voting rights.

At the 21st AGM, all the Directors were present through video conferencing to engage directly with, and be accountable to the shareholders for their stewardship of the Company.

The Chairman of the Board shall ensure that the AGM supports meaningful engagement between the Board, Senior Management and shareholders. The engagement shall be interactive and include robust discussions on the company’s financial and non-financial performance as well as the long-term strategies. Shareholders will be provided with sufficient opportunity to pose questions during the AGM and questions will receive a meaningful response.

The Chairman provided time for the shareholders to ask questions for each agenda in the notice of the AGM, before putting a resolution to vote. The Directors, CEO, Management and external auditors were in attendance to respond to the shareholders’ queries. The Chairman also shared with the shareholders the Company’s responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group (“MSWG”). During the AGM, the Company published the questions posed by shareholders, so that the questions were visible to all participants.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)**Annual General Meeting (“AGM”) (Cont'd)**

The Company had leveraged on technology to facilitate voting in absentia and remote participation by shareholders at shareholders' meeting through hosting its first fully virtual 21st AGM on 22 June 2021.

The Company has appointed SS E Solutions Sdn Bhd as Poll Administrator to conduct the polling process and another independent scrutineer to oversee the polling process and verify the poll results.

The minutes of the 21st AGM were published on the Company's website within 30 days after the AGM.

Compliance Statement by the Board of Directors on Corporate Governance Statement

The Board is satisfied that the Company had complied with the practice of the MCCG. The Company also fulfilled its obligations in accordance with all applicable laws, regulations, internal and external guidelines on corporate governance throughout the FY2021. In pursuit of safeguarding the interest of the shareholders and other stakeholders, the Board is committed and will continue to strengthen its application of the best practices in corporate governance.

The Board has deliberated, reviewed and approved this Corporate Governance Statement. Pursuant to Paragraph 15.25 of the MMLR, the Board is pleased to report that the Board is satisfied that to the best of its knowledge, the Company has fulfilled its obligations in accordance with all the applicable laws, regulations, internal and external guidelines on corporate governance throughout the FY2021.

This Corporate Governance Statement was presented and approved at the meeting of the Board on 21 April 2022.



STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) is pleased to issue the following Statement of Risk Management and Internal Control (“the Statement”) pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and as guided by the Statement on Risk Management & Internal Control: Guidance for Directors of Listed Issuers (“Internal Control Guidance”) issued by the Task Force on Internal Control in December 2012 with the support and endorsement of Bursa Malaysia.

Responsibility

The Board is responsible for the adequacy and effectiveness of the Group’s system of risk management and internal control. The Management is responsible for the implementation of the Group’s policies on internal control. Notwithstanding that, in view of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage rather than eliminate risks that may hinder the achievement of the Group’s corporate objectives. Whilst pursuing these objectives, risk management and internal controls can only provide reasonable and not absolute assurance against material misstatement of management and financial information and records or against financial losses, fraud or any breach of laws and regulations.

Nature and Scope of Risk Management and Internal Control

The risk management and internal control approach has always been holistic and process-embedded, covering all aspects of the business and functional risk controls. These integrated controls are designed to mitigate both the internal and external risks which can be inherent or controllable in nature in order to optimise the Group’s ability to achieve its corporate objectives. The organisation’s risk management process has been formalised via its enterprise-wide Risk Management Framework, which in the Board’s opinion, provides an adequate and satisfactory mechanism for an on-going process of identification, evaluation, managing and monitoring of high and significant risks. In that regard, the Board acknowledges that the nature and scope of risk management and internal control of the Group is satisfactory and adequate in addressing its current principal risks. The Board reviews the risk management process on a regular basis to ensure proper management of risks and appropriate measures are taken to address any identified weaknesses.

Risk Management Framework

The governance of risk management is the responsibility of the Board and is carried out through the Audit and Risk Management Committee (“ARMC”). This ensures that a sound risk management framework is maintained by Management towards upholding the shareholders’ interest and company’s assets. The Board also determines the extent of risk the Board is willing to take towards the achievement of strategic objectives and through the promulgation of its Risk Management Policy, a risk management framework was established.

The Risk Management Committee (“RMC”) was formed in April 2002 by the Board, headed by the Chief Financial Officer (“CFO”) and comprises the Chief Executive Officer (“CEO”), Heads of Divisions and Departments. The RMC reviews the management of the risk and effectiveness of controls in place for risk mitigation. The Committee also ensures that the risk management framework is effectively implemented within the Group.

Statement of Risk Management And Internal Control (Cont'd)

Risk Management Framework (Cont'd)

Since 2012 an enhanced Enterprise Risk Management (“ERM”) framework has been incorporated within the organisation to ensure a continuous and iterative process towards the enhancement of risk management across the organisation. This framework is focused on establishing a mechanism where risks are managed through internal controls and reduction of exposure whilst achieving the organisation’s vision and mission. A clear quantitative and qualitative measure for the assignment of risk rating is established and approved by the Board for the purpose of aligning the organisation’s risk tolerance for an effective risk management approach. This also provides a consistent and systematic approach for risk identification, risk measurement, evaluation of existing controls, development of risk treatment and action plans, and also continuous monitoring to ensure compliance. The Risk Management Policy can be found in this Annual Report and on PBA Holdings Bhd’s (PBAHB) website, www.pbahb.com.my.

The approach for risk identification requires the establishment of the relationship of a risk and the source of risk against the vision, mission and strategic objectives of the organisation. The inherent nature or controllable nature of risk is clearly established to identify the limitation of controls for the risk.

The measurement of risk takes into account the likelihood of occurrence and severity of impact based on the Board approved parameters. These parameters cover both the quantitative and qualitative aspects of the business. This measurement allows for the assignment of risk ratings for the identified risks and the risk owners to take further action based on the level of risk.

Management of risk requires the identification and evaluation of existing controls. The risk itself is further reviewed considering the controls and a net risk rating is assigned based on the residual risk. Where necessary, management action plans are to be established to mitigate the identified risk. Ownership of the management action plans are assigned to relevant department or divisional heads. Deadlines are given and the management action plans are reviewed periodically. The RMC will determine the final treatment of residual risk.

Further monitoring and evaluation of risks are carried out from time-to-time to ensure that the controls remain relevant and the risks are monitored. The monitoring and updating of risks, controls and management actions are carried out using the ERM system.

The RMC Chairperson, who is the CFO, updates the ARMC on a quarterly basis with a summary report on the high and significant risks at corporate level and on the status of control measures and management action plans specified to address and mitigate the risks. The Board on its part meets to review and deliberate on the risk and control issues reported to them by the ARMC.

The Group’s key risks for 2021 include:

Transmission of the Covid-19 virus to PBAHB’s employees

In 2021, the world continued to be ravaged by the deadly Covid-19 pandemic. Nearly 300 million people around the world have been infected and over five million people have died. More than two and a half million Malaysians have been infected.

Risk Management Framework (Cont'd)

Transmission of the Covid-19 virus to PBAHB's employees (Cont'd)

Water is vital to combating the pandemic. Hence, our operations must continue without any interruption. If an employee is infected, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.'s ("PBAPP", a wholly-owned subsidiary of the Company, whose principal activity is to undertake the business activity of water supply which comprises abstraction of raw water, treatment of water, supply and sale of treated water to consumers in Penang) ability to supply Penang with treated water may be jeopardised. Therefore, it is imperative that our facilities and employees are protected at all times.

The Group has implemented various measures to keep our employees and facilities safe. Social distancing measures implemented were maintained. Employee zoning implemented at PBAPP's facilities were enhanced to cover more facilities. This was done to reduce the probability of infection among employees. Personal protective equipment were distributed to employees throughout the year. Work from home and rotation arrangements were implemented in order to reduce congestion at PBAPP facilities and exposure to the virus.

Regular sanitisation was carried out at Water Treatment Plants, customer service centres and offices. Additionally, the public facilities (i.e., Bukit Dumbar recreational park, Air Itam Dam, Teluk Bahang Dam) were sanitised regularly. PBAPP adheres to the Federal and State Governments' regulations on restricting public access to its facilities. The regulations aim at reducing the probability of transmitting the virus among the general public.

The Group managed to get almost all of its employees vaccinated in 2021. Our procedures are continuously updated to counter the volatile nature of the pandemic and its variants of concern, for the safety of our employees.

Insufficient raw water

One Major Raw Water Source

Penang has one major raw water source, the Sungai Muda. PBAPP abstracts more than 80% of its raw water from the river. In the long term, Sungai Muda can only meet Penang's water needs until 2025. If Penang's water demand cannot be met, this may lead to water rationing.

Sungai Muda faces the following triple threats:

1) Logging in Ulu Muda

Logging activities have been carried out in the Greater Ulu Muda Catchment, Kedah, since 1969. This affects the water quality and quantity of Sungai Muda. Management has recommended that the Kedah State Government gazettes the water catchment areas. Logging activities were banned in Kedah following the 14th General Election. However, in 2021, the new Kedah Government announced it would be opening 25,000 hectares of forest reserve for logging. This would cause further deforestation, deteriorating Sungai Muda's quality and quantity of raw water. PBAPP's ability to abstract sufficient raw water for Penang will be affected.

This threat would compromise Ulu Muda's role as a Northern Region Water Catchment area for Perlis, Kedah and Penang. We have issued many press statements, highlighting this problem. The Group also supports Kedah's compensation claim of RM100 million from the Federal Government to conserve Ulu Muda.

Statement of Risk Management And Internal Control (Cont'd)

Insufficient raw water (cont'd)*One Major Raw Water Source (Cont'd)*

PBAPP proposed to the Federal Government the formation of the Ulu Muda Basin Authority (UMBA). The proposed UMBA would manage Ulu Muda professionally and sustainably. The concept was based on the Murray-Darling Basin Authority which manages the Murray-Darling Basin in Australia. However, the Ministry of Water and Environment rejected the proposal. It was rejected on the basis that land and water are state matters.

The Menteri Besar ("MB") of Kedah has demanded RM50 million a year from Penang for abstracting raw water from Sungai Muda or risk having Sungai Muda blocked. PBAPP has always been abstracting raw water from Lahar Tiang, which is on Penang's side of the river.

Sungai Muda is a river that flows through Kedah and Penang. Kedah is not supplying water to Penang as part of the river is within Penang state's border. The concept of riparian rights guarantee Penang's right to abstract water from its side of the river, even if the river may flow through other states.

2) Rare Earth Elements ("REE") mining in Ulu Muda Catchment areas

In 2020, the Kedah State Government approved large scale mining permits in Ulu Muda, Sik and Baling for Rare Earth Elements (REE). This involves land clearing work, hill flattening, establishing huge quarries and digging into the earth. These activities will destroy the rainforest environment.

Mining operations will generate large amounts of toxic waste leading to the following:

1. Disastrous environmental and health impacts;
2. Difficulties in disposing by-products; and
3. Pollution and contamination of the Muda River Basin.

Furthermore, the potential damage to Ulu Muda Catchment Area is likely to be permanent. Hence, REE mining would put water supply services in Perlis, Kedah and Penang at peril. This has a direct bearing on the people's well-being and health.

3) Kulim International Airport ("KXP") and Aerotropolis project

Another potential threat to Sungai Muda arose in the form of the proposed Kulim International Airport. Activities from the construction and operational phases may cause siltation and contamination of the river. The proposed location is very near the Lahar Tiang intake. PBAPP may not react in time in the event of contamination. Water abstraction will be forced to stop if contamination occurs, as has happened so frequently in Selangor. Penang's water supply would be jeopardised.

The Company's efforts in 2020 to address the low effective capacities at the Air Itam Dam and Teluk Bahang Dam bore fruit in 2021. This was also helped with the increase in rainfall in 2021. The refilling of Teluk Bahang Dam continued with the diversion of excess raw water from the Sungai Pinang and Batu Feringghi catchment areas. The effective capacities of both dams are at a higher level, despite economic activities picking up in Penang.

The handing over of Mengkuang Dam to the Penang State Government from the Federal Government was conducted in January 2021. The Dam will supplement Penang's raw water supply demand during the dry seasons. PBAPP is awaiting the Federal Government's completion of the remaining phases of the Mengkuang Dam Expansion Project.

Insufficient raw water (cont'd)

One Major Raw Water Source (Cont'd)

PBAPP planned to implement the Sungai Perak Raw Water Transfer Scheme (“SPRWTS”) in 2013. This scheme could address Penang and Northern Perak’s raw water needs until 2050. However, the implementation was delayed as Perak wants to sell treated water instead of raw water. The first delay of the SPRWTS implementation was from 2013 to 2020. The second delay was from 2018 to 2025. The third delay of the SPRWTS would be from 2023 to 2030 after the MB of Perak stated that Perak does not have enough water to sell to Penang after a meeting with the Chief Minister of Penang on 1 March 2022.

Meeting future water demand takes many years of planning and development. Hence, in 2020, PBAPP initiated the Penang Water Supply Initiative 2050 (“PWSI 2050”) which aims to meet Penang’s increasing water demand up to 2050. The PWSI 2050 projects serve as contingency plans to counter further delays in the SPRWTS. In the medium term, PBAPP has drafted a Raw Water Contingency Plan 2030 (RWCP 2030). The RWCP 2030 is part of the PWSI 2050. If implemented, Penang will have two additional raw water resources in Sungai Perai and Mengkuang Dam.

Inadequate water tariff

PBAPP’s average domestic water tariff is the lowest in Malaysia at RM0.32 per 1,000 litres for the first 35,000 litres per month. PBAPP’s average trade tariff is RM1.36 per 1,000 litres for the first 500,000 litres per month, which is among the lowest in Malaysia.

The low tariffs have negative impact on the company and Penang. PBAPP was burdened by a large amount of domestic water subsidies. The amount subsidised could have been used to fund water supply projects for the future. Furthermore, the low cost of water discourages Penangites from saving water. A water tariff review is needed to address high water consumption, unsustainable domestic water supply subsidy and increasing costs of supplying water.

In 2019, PBAPP stated its intent to apply for a water tariff review. This is to raise sufficient funds for projects to mitigate Penang’s risk of a raw water shortage. The projects funded by the additional income would ensure Penang’s long term water supply security. Without the additional funding, PBAPP may not be able to provide Penang with sufficient water supply in the medium to long term.

However, in 2020 and 2021, the new Minister of Environment and Water (“KASA”) stated water tariffs will not be raised during the Covid-19 pandemic. SPAN conducted a public consultation exercise on PBAPP’s tariff review application in 2021. It conducted similar exercises for the other states in 2019 and 2020. SPAN will table the water tariff review to the Ministry in 2022.

High water demand

Penang is a water stressed state. Penang’s per capita consumption is above the national average. Furthermore, population growth in Penang has increased its water demand. The various Movement Control Orders and work from home arrangements meant many people stayed at home, which increased Penang’s domestic consumption. Penang’s domestic consumption was 308 l/c/d in 2021. This is unsustainable in the long term as Sungai Muda’s ability to supply Penang’s water demand will reach full capacity by 2025.

The low domestic tariff means there is cross subsidy from the trade consumers and this does not bode well for the long-term sustainability of PBAPP’s operations.

Statement of Risk Management And Internal Control (Cont'd)

Key Elements of Internal Control

The key elements of the Group's internal control system are described below:

- The ARMC and the Board meet every quarter to discuss matters raised by Management on business and operational matters. This includes potential risks and control issues.
- Clearly defined delegation of responsibilities to the Board Committees and Management. This includes authority limits to minimise risks of unauthorised transactions. The Board has delegated the responsibilities to the relevant committees to implement and monitor the Board's policies on controls, e.g. capital expenditure has to be properly tendered and approved by the Tender Board before any contracts are awarded.
- The Group has established an organisation structure with clearly defined lines of accountability and appropriate degrees of empowerment, which enables adequate monitoring of the activities and ensures effective flow of information across the organisation. Delegation of authority and appropriate authorisation limits imposed at various levels of Management including those requiring the Board's approval are documented to ensure accountability and responsibility.
- Standard operating procedures and policies are developed to maintain a sound system of internal control and they are reviewed and revised, whenever the need arises, to meet the evolving business, operational, regulatory and statutory requirements.
- PBAPP, has been certified with the ISO 9001:2015, ISO 14001:2015 (for 5 sites), ISO 45001:2018, MS ISO/IEC 17025:2017 Accreditation for the Sungai Dua Central Laboratory and MS ISO/IEC 27001:2013 for the Information Security Management System at the Sungai Dua Water Treatment Plant which confirms the good standing of the organisation's quality, environment, occupational, safety & health, and information security management systems respectively.
- A detailed budgeting process is established, requiring all departments in the Group to prepare budgets annually including capital expenditure proposals, which are discussed and approved by the Board of Directors. A yearly review of the annual budget is undertaken to deliberate and, where appropriate, to address significant variances from the said budget.
- Ongoing training is provided to the organisation's staff to improve their skills and work competencies.

The Internal Audit Function

The Board recognises that the internal audit function is an important and integral component of the governance process. The Internal Audit Department performs internal audit in diverse areas comprising the management, financial and operational activities within the Group.

The principal responsibility of the Internal Audit function is to assist the ARMC in monitoring compliance with policies and procedures and the effectiveness and adequacy of the risk management and internal control systems in operation. The Internal Audit function undertakes a regular and systematic review of the internal controls of the various operational and administrative activities to provide the ARMC and the Board with a reasonable and independent assurance that the system of internal controls being implemented is effective in addressing the risks and concerns identified.

Review of this Statement

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd, the external auditors have reviewed this Statement for inclusion in the 2021 Annual Report. This Statement is reviewed in accordance with Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants. The external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control.

Conclusion

The Group, in issuing this statement, has taken into consideration the scope of internal controls of PBAPP.

The Board has received assurance from the CEO, Chief Operating Officer and CFO on the adequacy and effectiveness of the Group's risk management and internal control system. There has been no material loss incurred during the year as a result of weaknesses in internal control.

This statement is made in accordance with a resolution of the Board of Directors dated 21 April 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board of Directors (“the Board”) presents the Audit and Risk Management Committee (“ARMC”) Report which provides insights into the manner in which the ARMC discharged its functions for the Group in the financial year ended 31 December 2021 (“FY2021”).

INTRODUCTION

The ARMC was established by the Board of the Company on 9 April 2002 to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Company and its subsidiaries, monitoring the management of risk and system of internal control, external and internal audit processes, compliance with legal and regulatory matters and such other matters that may be specifically delegated to the ARMC by the Board.

COMPOSITION AND MEETING

Currently, the ARMC comprises six (6) members, all of whom are Non-Executive Directors (“NEDs”): five (5) are Independent NEDs and one is Non-Independent NED. This meets the requirements of paragraph 15.09 (1) (a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

None of the members of the ARMC was a former key audit partner of the External Auditors of the Group.

As at the date of this Annual Report, the existing composition of the ARMC is as follows:

Name	Designation	Directorship
Puan Mary Geraldine Phipps	Chairperson	Independent and Non-Executive Director
YB Dato’ Dr. Mohamad Farazi Bin Md Zohari @ Johari	Member	Non-Independent and Non-Executive Director
YBhg. Dato’ Agatha Foo Tet Sin	Member	Senior Independent and Non-Executive Director
YBhg. Dato’ Brian Tan Guan Hooi	Member	Independent and Non-Executive Director
Encik Ha Charm Mun ^(Note 1)	Member	Independent and Non-Executive Director
Cik Lim Kim Suan ^(Note 1)	Member	Independent and Non-Executive Director

^(Note 1) Encik Ha Charm Mun and Cik Lim Kim Suan were appointed as members of the ARMC on 23 April 2021 and 1 July 2021 respectively.

Puan Mary Geraldine Phipps, the ARMC’s Chairperson, is a Chartered Accountant registered with the Malaysian Institute of Accountants (“MIA”) of which she is a member, having qualified as a Certified Public Accountant under the Malaysian Institute of Certified Public Accountants (“MICPA”).

YBhg. Dato’ Brian Tan Guan Hooi, a member of the ARMC, is a Chartered Accountant registered with the MIA, a Fellow of the Certified Practising Accountant (“FCPA”) registered with the CPA Australia and a CPA registered with ASEAN CPACC.

COMPOSITION AND MEETING (CONT'D)

Hence, the above composition of ARMC meets the requirements of paragraph 15.09(1)(c) of the MMLR which stipulates that at least one member of the ARMC must be a qualified accountant. All members of the ARMC are financially literate and are able to analyse and interpret financial statements to effectively discharge their duties and responsibilities as members of the ARMC.

During FY2021, the ARMC convened eight (8) meetings with the following record of attendance: -

Name	Attendance record
Puan Mary Geraldine Phipps (Chairperson)	8 out of 8
YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari	4 out of 8
YBhg. Dato' Agatha Foo Tet Sin	8 out of 8
YBhg. Dato' Brian Tan Guan Hooi	7 out of 8
Encik Ha Charm Mun ^(Note 2) <i>(Appointed as a member of ARMC on 23 April 2021)</i>	6 out of 6
Cik Lim Kim Suan ^(Note 2) <i>(Appointed as a member of ARMC on 01 July 2021)</i>	4 out of 4

(Note 2) Encik Ha Charm Mun and Cik Lim Kim Suan did not attend all the ARMC Meetings held in FY2021 as they were appointed as members of the ARMC on 23 April 2021 and 01 July 2021 respectively.

The agenda and relevant meeting materials were prepared and delivered to ARMC members before the meetings. The meetings were appropriately structured with sufficient time for the ARMC to accomplish its agenda and to discuss emerging issues.

The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and the Head of Internal Audit (or Senior Management) were in attendance at all the ARMC meetings to present and brief the ARMC on matters in accordance with the agenda of each meeting, and outstanding matters or specific issues that required the ARMC's attention in line with the Term of References ("TOR") of the ARMC. The External Auditors' representatives were also invited to attend the meetings as and when required.

SUMMARY OF THE ACTIVITIES AND WORKS OF ARMC

In performing its duties and discharging its responsibilities, the ARMC member is guided by its TOR which are in line with the provisions of the MMLR, the Malaysia Code on Corporate Governance. The said TOR is made available on the Company's website at www.pbahb.com.my.

Audit And Risk Management Committee Report (Cont'd)

SUMMARY OF THE ACTIVITIES AND WORKS OF ARMC (CONT'D)

During FY2021, the activities and work undertaken by the ARMC were as below in accordance with its TOR: -

(i) Financial Performance and Reporting

- Reviewed the annual/supplementary budgets, unaudited Management Accounts of the Company and its Group of Companies, the Company's quarterly interim unaudited financial results, as well as other financial reporting related matters presented by the Chief Financial Officer prior to submission to the Board for its consideration and approval;
- Discussed with the Senior Management and External Auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented, applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), provisions of the Companies Act 2016 and requirements under the MMLR had been complied with; significant matters including Key Audit Matters and critical accounting judgements and key sources of estimation uncertainties made by the Management had been evaluated by the External Auditors; and impact of new accounting standards for the following financial year, where relevant, had been assessed; and
- Reviewed pertinent issues of significance to the Group.

(ii) Internal Audit ("IA")

- Reviewed and approved the annual IA plan for the years 2022 to 2024 presented by the Head of the IA Department after being satisfied with the contents' suitability, adequacy and scope of coverage. The ARMC also deliberated on nine (9) main areas of IA activities for the year 2022;
- Reviewed the IA reports, which highlighted the audit issues, recommendations to Management and assessment of Management's responses thereto;-
- Reviewed the follow up reports of the Internal Auditors on the status of action taken by the Management on recommendations suggested in the IA reports;
- Discussed with the Management on actions to be taken to improve the system of internal controls based on the recommendations and findings identified in the IA reports and made necessary recommendations to the Board for approval; and
- Assessed the IA function and were satisfied with the performance of the IA for FY2021.

SUMMARY OF THE ACTIVITIES AND WORKS OF ARMC (CONT'D)

(iii) External Auditors

- Reviewed and discussed with the External Auditors their audit planning memorandum, covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by the MASB, and regulatory requirements applicable to the Group, and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards;
- The ARMC convened two private dialogue sessions with the External Auditors without the presence of Management during FY2021. During the ARMC meeting held in February 2021, the External Auditors highlighted to the ARMC their audit findings together with the Group's results in regard to the audit for FY2020. Based on the auditors' feedback, the Management had provided full cooperation to the External Auditors in the course of their audit conducted in FY2020. In August 2021 meeting, the ARMC reviewed the Audit Planning for FY2021 presented by the External Auditors;
- Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company;
- Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management;
- Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the ARMC. The ARMC had received from the External Auditors' written confirmation on their independence which disclosed that they were not aware of any relationships or matters that, in their professional judgement, might reasonably be thought to bear on their independence and that they were independent in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants;
- To review and recommend the re-appointment of the External Auditors for FY2021 and their audit fee for FY2021; and
- Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the FY2021 amounted to RM5,000.

Audit And Risk Management Committee Report (Cont'd)

SUMMARY OF THE ACTIVITIES AND WORKS OF ARMC (CONT'D)**(iv) Corporate Governance**

- Reviewed the impact of the relevant regulatory changes and ensured compliance by the Company and the Group;
- Approved the ARMC Report and recommended the same for Board's approval for inclusion in the Annual Report;
- Reviewed the Statement of Risk Management and Internal Control for inclusion in the Annual Report for FY2021 which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 132 to 138 of this Annual Report; and
- The ARMC was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group's operations. The ARMC also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the Group's assets as well as the shareholders' investments, and the interests of other stakeholders.

(v) Risk Management

- Reviewed quarterly updates on the Enterprise Risk Management and discussed on the changes and impact of the key risk factors of the Group;
- Reviewed and endorsed the risk management frameworks, guidelines and other key components of risk management for implementation within the Company and throughout the Group;
- Reviewed and endorsed the integrity policy for the Group;
- Reviewed and endorsed the risk profiles for the Group; and
- Reviewed the progress of ongoing risk management activities to identify, evaluate, monitor and manage critical risks.

(vi) Related Party Transactions

- Reviewed and deliberated on all related party transactions to be entered between its subsidiaries and its related parties, and subsequently made its recommendations for the Board's consideration. In forming its recommendation, the ARMC takes into consideration whether the proposed related party transactions are in the best interests of the Group; fair, reasonable and on normal commercial terms; and not detrimental to the interests of minority shareholders.

(vii) Other

- Reviewed the Medical Insurance Programme ("MIP") Policy for the Directors and the Directors' and Officers' ("D&O") Liability Insurance Policy.

SUMMARY OF THE ACTIVITIES AND WORKS OF ARMC (CONT'D)

The Nomination and Remuneration Committee ("NRC") had reviewed the terms of office and performance of the ARMC members in April 2022. Based on the results of its review, the NRC was satisfied that the ARMC and its members have discharged their functions, duties and responsibilities in accordance with the ARMC's TOR and supported the Board in ensuring the Group upholds appropriate corporate governance standards.

INTERNAL AUDIT (IA) FUNCTION

The IA function is carried out by the Group's own IA Department to assist the ARMC in the governance of the organization by performing the following fundamental activities: -

- Enhance and protect the organisational value of the Company by providing risk-based and objective assurance, advice and insight;
- Accomplish objectives of the organisation by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes;
- Ascertain compliance with established organisation policies, directives, procedures and Professional Practice of Internal Auditing;
- Ascertain accountability and safeguarding the Group's assets; and
- Review the adequacy of the scope and resources of the IA function as well as the competency and experience of the internal auditors.

During FY2021, IA Department had tabled ten (10) IA Reports and presented the IA findings to ARMC, which covered Operational Cost, Inventory Management, Tender Evaluation, Budgetary Controls and Account Payables.

Encik Shanmuga Sundaram A/L Murugason, the Head of IA Department holds a Bachelor of Accounting Degree with Honours from Universiti Utara Malaysia (1998) and a Master Degree in Business Administration from Universiti Sains Malaysia (2016). Currently, he is pursuing his Doctorate studies in Business Administration ("DBA"). He is a Chartered Accountant registered with the MIA and also an Associate member of the Institute of Internal Auditors Malaysia ("AIIA").

The IA Department has 12 staff members and during FY2021 they carried out audits according to the IA plan which was approved by the ARMC. The ARMC had full and direct access to the internal auditors, received reports on all IA engagements performed and ensured that IA personnel are free from any relationships or conflict of interest which could impair their objectivity and independence.

The ARMC reviewed the IA reports and directed the Management on the necessary corrective actions and process improvements. The Management is responsible for ensuring that the recommendations are implemented accordingly. The total costs incurred for the IA function of the Company and the Group for FY2021 was RM1.45 million.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Board is responsible to ensure that the annual audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board, the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, to lay these before the Company at its Annual General Meeting.

The Board is also responsible for ensuring that the audited financial statements provide a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of their financial performance and their cash flows for that year then ended.

In preparing the financial statements for the year ended 31 December 2021, the Board considers that:

- (i) all applicable approved accounting standards in Malaysia have been followed;
- (ii) the Group and the Company have used appropriate accounting policies and have consistently applied them;
- (iii) reasonable and prudent judgments and estimates were made; and
- (iv) the financial statements were prepared on the going concern basis as the Board has a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Board is responsible for ensuring that the Group and the Company maintain accounting records which disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016.

The Board has general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board dated 21 April 2022.



ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds

There was no corporate exercise with proceeds from the shareholders during the financial year.

Audit and Non-Audit Fees

The audit fees paid or payable by the Group and by the Company to the external auditors amounted to RM175,000 and RM32,000 respectively.

The non-audit fees paid or payable by the Group and by the Company to the external auditors amounted to RM5,000.

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests which were still subsisting as at the end of the financial year 2021.

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There has been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the financial year	<u>36,741</u>	<u>7,061</u>

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended **31 December 2021** have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the Company has paid the following dividends:

- (i) a single tier final dividend of 1.00 sen per share amounting to RM3,309,975 in respect of the financial year ended 31 December 2020 paid on 30 July 2021; and
- (ii) a first interim single tier dividend of 1.25 sen per share amounting to RM4,137,469 in respect of the financial year ended 31 December 2021 paid on 14 January 2022.

A single tier final dividend of 1.00 sen per share amounting to RM3,309,975 for the financial year ended 31 December 2021 was recommended by the Directors subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the notes to the financial statements.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company did not issue any shares or debentures.

Directors' Report (Cont'd)

TREASURY SHARES

As at 31 December 2021, the Company held 272,900 treasury shares out of the total 331,270,401 issued ordinary shares. Further relevant details are disclosed in Note 12.2 to the financial statements.

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Directors of the Company:

- * YAB Tuan Chow Kon Yeow
- * YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd. Rahman
- * YB Prof. Dr. P. Ramasamy A/L Palanisamy
- * YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus (appointed on 22.2.2022)
- * YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari
- * YB Tuan Zairil Khir Johari
- YB Tuan Muhammad Faiz Bin Fadzil
- YB Dato Muhammad Bakhtiar Bin Wan Chik (appointed on 1.3.2021)
- YBhg. Dato' Agatha Foo Tet Sin
- Puan Mary Geraldine Phipps
- YBhg. Dato' Brian Tan Guan Hooi
- Encik Ha Charm Mun (appointed on 1.3.2021)
- Cik Lim Kim Suan (appointed on 1.7.2021)
- * YB Dato' Seri Abdul Razak Bin Jaafar (ceased on 25.11.2021)

Directors of the subsidiaries:

YBhg. Dato' Sr. Kuvenaraju A/L Pachappen
 YB Tuan Gooi Hsiao-Leung
 YB Tuan H'ng Mooi Lye
 YB Tuan Azrul Mahathir Bin Aziz
 Encik Fakhruz-Zaman Bin Ahmad
 Dato' Ir. Jaseni Bin Maidinsa
 Encik Mohammad Zulkifli Bin Abdul Hamid
 Dr. Mary Ann Harris

- * The directors are also directors of the Company's subsidiaries

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the directors who hold office at 31 December 2021 had any interests in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' REMUNERATION AND BENEFITS

During the financial year, the fees and other benefits received and receivable by the directors of the Company and its subsidiaries are as follows:

	Company RM'000	Subsidiaries RM'000	Group RM'000
Directors' allowances	256	758	1,014
Indemnity given to or insurance effected for any Director	22	9	31
Other benefits	45	18	63
Estimated monetary value of benefits-in-kind	-	16	16
	323	801	1,124

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown above) by reason of a contract made by the Company or a related corporation with a director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, other than those related party transactions disclosed in the notes to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and premium paid for public liability insurance provided for Directors and Officers by the Group during the financial year are RM30 million and RM40,000 respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION (Cont'd)

At the date of this report, the directors are not aware of any circumstances:

- (i) that would render it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) that have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, and
- (ii) any contingent liability of the Group and of the Company that has arisen since the end of the financial year.

In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due, and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS

The total amount of fees paid to or receivable by the auditors, **Grant Thornton Malaysia PLT**, as remuneration for their services as auditors of the Group and of the Company for the financial year ended 31 December 2021 are RM175,000 and RM32,000 respectively.

The Group and the Company have agreed to indemnify the auditors, Grant Thornton Malaysia PLT, as permitted under the requirements of the Companies Act 2016 in Malaysia.

No payment has been made to indemnify **Grant Thornton Malaysia PLT** for the financial year ended 31 December 2021.

The auditors, **Grant Thornton Malaysia PLT**, retire and are not seeking re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....
YB Dato' Dr. Ahmad Jailani
Bin Muhamed Yunus

.....
YB Dato' Dr. Mohamad Farazi
Bin Md Zohari @ Johari

Penang,

Date: 21 April 2022

DIRECTORS' STATEMENT

In the opinion of the directors, the financial statements set out on pages 161 to 228 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2021** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors:

.....
YB Dato' Dr. Ahmad Jailani
Bin Muhamed Yunus

.....
YB Dato' Dr. Mohamad Farazi
Bin Md Zohari @ Johari

Date: 21 April 2022

STATUTORY DECLARATION

I, **Dr. Mary Ann Harris**, the officer primarily responsible for the financial management of **PBA Holdings Bhd.** do solemnly and sincerely declare that the financial statements set out on pages 161 to 228 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
 the above named at Penang, this **21st**)
 day of **April 2022.**)

.....
Dr. Mary Ann Harris
(MIA No: 9375)

Before me,

.....
Liew Juan Leng (P162)
Commissioner for Oaths



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PBA HOLDINGS BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **PBA Holdings Bhd.**, which comprise the statements of financial position as at **31 December 2021** of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of accounting policies, as set out on pages 161 to 228.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at **31 December 2021**, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("*By-Laws*") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards) ("*IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and the *IESBA Code*.

Independent Auditors' Report To The Members Of PBA Holdings Bhd. (Cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matters
<i>Recognition of Property, plant and equipment ("PPE")</i> <i>(Note 4 to the financial statements)</i> PPE of the Group mainly consists of land, buildings, reservoirs, plant and machinery and capital work-in-progress. There are a number of areas that could impact the carrying amount of PPE: - the decision to capitalise the assets; - the selection of appropriate useful lives of the assets; and - the timeliness of the transfer of assets from capital work-in-progress to their respective categories in PPE. As PPE represents a material item in the statements of financial position of the Group, there is a risk that expenditure on PPE is inappropriately recognised according to <i>MFRS 116 Property, Plant and Equipment</i>.	Our audit procedures in relation to the recognition of PPE included, among others, the following: - Obtaining an understanding of: - the Group's capitalisation process; and - the Group's assessment on the useful lives attributed to the assets. - Examining on a sampling basis, management's assessment as to whether the expenditure meets the recognition criteria set forth in <i>MFRS 116 Property, Plant and Equipment</i> by checking to appropriate evidence such as contracts, supplier invoices, progress claims, tender documents and payment authorisation; - Examining on a sampling basis on the timeliness of transferring the assets from capital work-in-progress to the respective categories in PPE by checking to the certificate of practical completion; - Performing physical asset sighting on material PPE to verify their existence; - Performing depreciation reasonableness test on PPE to check the accuracy of depreciation; and - Obtaining the explanation from the management in relation to the status of certain incomplete projects where costs had been incurred from previous years without further development and examining if impairment was necessary.

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
<i>Impairment of trade receivables</i> <i>(Note 8 to the financial statements)</i>	
The Group has significant trade receivables as at the reporting date and it is subject to credit risk exposure. We focus on this area as the assessment of expected credit losses of trade receivables involves management judgement and estimation uncertainty in determining the probability of default occurring by considering the ageing of trade receivables, historical loss experience and forward-looking information.	Our audit procedures in relation to the impairment of trade receivables included, among others, the following: • Obtaining an understanding of: • the process of identifying and assessing the impairment of trade receivables; • the Group's control over the customers' collection process; and • the basis of how the Group makes the accounting estimates for impairment of trade receivables. • Reviewing the application of the Group's policy for calculating the expected credit loss and whether it complies with <i>MFRS 9 Financial Instruments</i>; • Reviewing the ageing analysis of the trade receivables and testing the reliability thereon; • Reviewing subsequent collections on a sampling basis; and • Examining the historical repayment records, information regarding the current creditworthiness and any significant changes in credit quality of the debtors.

Independent Auditors' Report To The Members Of PBA Holdings Bhd. (Cont'd)

Key Audit Matters (Cont'd)

Key Audit Matters	How our audit addressed the Key Audit Matters
Revenue recognition (Note 19 to the financial statements) The Group's revenue stream is derived mainly from sale of water (91% of total revenue). Revenue from sale of water is recognised based on the customers' consumption of water according to their respective tariff rates. The Group's revenue recognition process relies extensively on its information technology system to capture and process large volumes of data for billing and recording of revenue transactions. We focus on this area as the magnitude and the high volume of transactions may give rise to a higher risk of material misstatements relating to the timing and the amount of revenue recognised.	Our audit procedure in relation to the revenue recognition included, among others, the following: • Obtaining an understanding by walking through and testing the Group's control over data entry process and recording of sales and receipts in general ledger; • Testing of Information Technology ("IT") general controls surrounding major IT applications and critical interfaces over revenue recognition and completeness and accuracy of information captured; • Testing the application controls within the billing systems over the: • maintenance of tariff rates in the billing system; and • accuracy of calculation of amounts billed to the consumers. • Performing substantive, transactional testing and analytical procedures to validate the recognition of revenue throughout the year; • Assessing management's revenue recognition assumptions especially for certain category of consumers' whose ability and intention to pay for the water bills are historically doubtful; • Assessing whether revenue is recognised in the correct period by testing cut off through checking the recognition of unbilled water revenue as at the reporting date, as well as reviewing subsequent year end complaint reports lodged by the consumers on a sampling basis and whether appropriate adjustments have been made to revenue for valid complaints lodged to ensure proper revenue cut-off; and • Assessing the adequacy of disclosures in accordance to <i>MFRS 15 Revenue from Contracts with Customers</i> in the financial statements.

There is no key audit matter to be communicated in the audit of the separate financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements of the Group and of the Company.

Independent Auditors' Report To The Members Of PBA Holdings Bhd. (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Loo Wei Teng
No. 03487/03/2024 J
Chartered Accountants

Penang

Date: 21 April 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		GROUP			COMPANY	
		2021	(Restated) 2020	(Restated) 2019	2021	2020
	NOTE	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	4	1,096,351	1,121,743	1,076,318	-	-
Right-of-use assets	5	185,088	191,404	197,297	-	-
Investment in subsidiaries	6	-	-	-	367,594	367,594
		<u>1,281,439</u>	<u>1,313,147</u>	<u>1,273,615</u>	<u>367,594</u>	<u>367,594</u>
Current assets						
Inventories	7	8,892	8,948	8,971	-	-
Trade and other receivables	8	43,723	44,561	41,913	68	8,004
Contract assets	9	23,426	23,426	23,426	-	-
Current tax assets		1,226	1,231	802	61	50
Cash and cash equivalents	10	141,243	107,817	157,957	44,220	36,572
		<u>218,510</u>	<u>185,983</u>	<u>233,069</u>	<u>44,349</u>	<u>44,626</u>
TOTAL ASSETS		<u>1,499,949</u>	<u>1,499,130</u>	<u>1,506,684</u>	<u>411,943</u>	<u>412,220</u>

The accompanying notes form an integral part of these financial statements.

Statements Of Financial Position As At 31 December 2021 (Cont'd)

		GROUP			COMPANY	
		2021	(Restated) 2020	(Restated) 2019	2021	2020
	NOTE	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES						
Share capital	11	327,579	327,579	327,579	327,579	327,579
Reserves	12	412,389	383,095	368,267	80,015	80,401
Total equity		739,968	710,674	695,846	407,594	407,980
Non-current liabilities						
Contract liabilities	13	101,089	93,978	84,759	-	-
Loans and borrowings	14	21,417	22,386	55,485	-	-
Lease liabilities	5	222,217	225,554	228,406	-	-
Deferred income	15	11,414	12,696	17,152	-	-
Deferred liabilities	16	53,576	55,171	56,766	-	-
Deferred tax liabilities	17	145,000	154,000	148,000	-	-
		554,713	563,785	590,568	-	-
Current liabilities						
Trade and other payables	18	177,578	187,752	177,924	4,349	4,240
Contract liabilities	13	21,524	30,883	31,960	-	-
Loans and borrowings	14	969	918	5,563	-	-
Lease liabilities	5	3,585	3,502	3,191	-	-
Deferred liabilities	16	1,595	1,595	1,595	-	-
Current tax liabilities	17	21	21	37	-	-
		205,268	224,671	220,270	4,349	4,240
Total liabilities		759,981	788,456	810,838	4,349	4,240
TOTAL EQUITY AND LIABILITIES						
		1,499,949	1,499,130	1,506,684	411,943	412,220

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	NOTE	GROUP		COMPANY	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	19	334,815	336,303	8,571	8,931
Cost of sales		(223,494)	(227,306)	-	-
Gross profit		111,321	108,997	8,571	8,931
Other operating income		14,014	16,113	173	7
Administrative expenses		(84,209)	(80,344)	(1,682)	(1,815)
Operating profit	20	41,126	44,766	7,062	7,123
Finance cost		(13,015)	(13,194)	-	-
Profit before tax		28,111	31,572	7,062	7,123
Tax income/(expense)	22	8,630	(6,814)	(1)	-
Net profit, representing total comprehensive income for the financial year		36,741	24,758	7,061	7,123
Earnings per share (sen)					
- Basic/Diluted	23	11.10	7.48		

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Share Capital *	Treasury Shares	Distributable Retained Earnings	Total Equity
	NOTE	RM'000	RM'000	RM'000	RM'000
2021					
Balance at beginning, restated		327,579	(236)	383,331	710,674
Total comprehensive income for the financial year		-	-	36,741	36,741
<i>Transaction with owners of the Company:</i>					
Dividends	24	-	-	(7,447)	(7,447)
Balance at end		327,579	(236)	412,625	739,968
2020					
Balance at beginning					
- As previously stated		327,579	(236)	351,077	678,420
- Effect of contract assets arising from unbilled water revenue not accounted for	32	-	-	17,426	17,426
Balance at beginning, restated		327,579	(236)	368,503	695,846
Total comprehensive income for the financial year		-	-	24,758	24,758
<i>Transaction with owners of the Company:</i>					
Dividends	24	-	-	(9,930)	(9,930)
Balance at end, restated		327,579	(236)	383,331	710,674

* The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS"). The details of the terms and rights attached to the SRRPS are disclosed in Note 11 to the financial statements.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Share Capital *	Treasury Shares	Distributable Retained Earnings	Total Equity
	NOTE	RM'000	RM'000	RM'000	RM'000
2021					
Balance at beginning		327,579	(236)	80,637	407,980
Total comprehensive income for the financial year		-	-	7,061	7,061
<i>Transaction with owners of the Company:</i>					
Dividends	24	-	-	(7,447)	(7,447)
Balance at end		<u>327,579</u>	<u>(236)</u>	<u>80,251</u>	<u>407,594</u>
2020					
Balance at beginning		327,579	(236)	83,444	410,787
Total comprehensive income for the financial year		-	-	7,123	7,123
<i>Transaction with owners of the Company:</i>					
Dividends	24	-	-	(9,930)	(9,930)
Balance at end		<u>327,579</u>	<u>(236)</u>	<u>80,637</u>	<u>407,980</u>

* The share capital includes 1 Special Rights Redeemable Preference Share ("SRRPS"). The details of the terms and rights attached to the SRRPS are disclosed in Note 11 to the financial statements.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	NOTE	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		28,111	31,572	7,062	7,123
Adjustments for:					
Accretion of interest on lease liabilities		13,016	13,194	-	-
Allowance for expected credit losses of trade and other receivables		3,164	3,364	-	-
Amortisation of assets transferred from customers		(2,354)	(2,186)	-	-
Amortisation of deferred liabilities		(1,595)	(1,595)	-	-
Distribution income from short term funds		(1,248)	(2,588)	(618)	(978)
Dividend income from a subsidiary		-	-	(7,953)	(7,953)
Gain on disposal of investment in short term funds		-	(5)	-	-
Gain on disposal of property, plant and equipment		(31)	(137)	-	-
Interest income		(524)	(555)	(6)	-
Inventories written down		201	29	-	-
Property, plant and equipment:					
- depreciation		63,066	62,807	-	-
- expensed off		10	452	-	-
- written off		312	249	-	-
Realisation of government grant		(1,282)	(1,760)	-	-
Rent concession		(83)	-	-	-
Reversal of allowance for expected credit losses		(3,007)	(1,989)	-	-
Reversal of inventories written down		-	(42)	-	-
Right-of-use assets:					
- depreciation		6,717	6,764	-	-
Unwinding of discount on loans and borrowings		1,282	1,760	-	-
Operating profit/(loss) before working capital change		105,755	109,334	(1,515)	(1,808)
Balance carried forward		105,755	109,334	(1,515)	(1,808)

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows For The Financial Year Ended 31 December 2021 (Cont'd)

	NOTE	GROUP		COMPANY	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance brought forward		105,755	109,334	(1,515)	(1,808)
Changes in:					
Inventories		(145)	36	-	-
Trade and other receivables		681	(4,023)	(17)	18,846
Trade and other payables		(10,174)	9,828	109	(1,642)
Contract liabilities		(9,537)	(1,306)	-	-
Cash generated from/(used in) operations		86,580	113,869	(1,423)	15,096
Income tax paid		(969)	(1,259)	(12)	(15)
Income tax refunded		600	-	-	-
Net cash from/(used in) operating activities		86,211	112,610	(1,435)	15,081
CASH FLOWS FROM INVESTING ACTIVITIES					
Distribution income received		1,248	2,588	618	978
Dividends received		-	-	15,906	-
Interest received		524	555	6	-
Proceeds from disposal of property, plant and equipment		32	165	-	27
Proceeds from disposal of investment in short term funds		-	5	-	-
Purchase of property, plant and equipment	A	(28,354)	(97,327)	-	-
Net cash (used in)/from investing activities		(26,550)	(94,014)	16,530	1,005
Balance carried forward		59,661	18,596	15,095	16,086

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows For The Financial Year Ended 31 December 2021 (Cont'd)

	NOTE	GROUP		COMPANY	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance brought forward		59,661	18,596	15,095	16,086
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(7,447)	(9,930)	(7,447)	(9,930)
Repayment of government loans	B	(2,200)	(42,200)	-	-
Repayment of of lease liabilities	B	(16,588)	(16,606)	-	-
Net cash used in financing activities		(26,235)	(68,736)	(7,447)	(9,930)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		33,426	(50,140)	7,648	6,156
CASH AND CASH EQUIVALENTS AT BEGINNING					
		107,817	157,957	36,572	30,416
CASH AND CASH EQUIVALENTS AT END					
		141,243	107,817	44,220	36,572

A. Purchase of property, plant and equipment

	NOTE	GROUP		COMPANY	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total acquisition cost		37,997	108,961	-	-
Less: Assets transferred from customers		(9,643)	(11,634)	-	-
Total cash acquisition		28,354	97,327	-	-

The accompanying notes form an integral part of these financial statements.

Statements Of Cash Flows For The Financial Year Ended 31 December 2021 (Cont'd)

B. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM'000	Net cash flows RM'000	Others RM'000	Balance at end RM'000
GROUP				
2021				
Loans and borrowings	23,304	(2,200)	1,282 *	22,386
Lease liabilities	229,056	(16,588)	13,334 #	225,802
Total liabilities arising from financing activities	252,360	(18,788)	14,616	248,188
2020				
Loans and borrowings	61,048	(42,200)	4,456 *	23,304
Lease liabilities	231,597	(16,606)	14,065 #	229,056
Total liabilities arising from financing activities	292,645	(58,806)	18,521	252,360

* Consists of the difference between the nominal value and fair value of the loans upon drawdown and repayment of the loans, net of current year amortisation.

Consists of additions during the year and accretion of interest and rental concession.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business is located at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang.

The consolidated financial statements of the Company for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (collectively referred to as the “Group” and individually referred to as “Group entities”).

The controlling shareholder of the Company is the State Secretary, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 April 2022.

Principal Activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of Measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies as set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

Notes To The Financial Statements 31 December 2021 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)**2.2 Basis of Measurement (Cont'd)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 : Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 : Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand.

2.4 Adoption of Amendments to MFRSs

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial years except for the adoption of the following amendments to MFRSs that are mandatory for the current financial year:

Effective for annual periods beginning on or after 1 June 2020

Amendments to MFRS 16 Leases - Covid-19 Related Rent Concessions

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases: Interest Rate Benchmark Reform - Phase 2

2. BASIS OF PREPARATION (CONT'D)

2.4 Adoption of Amendments to MFRSs (Cont'd)

Initial application of the above amendments to MFRSs did not have any material impact to the financial statements of the Group and of the Company upon adoption.

2.5 Standards Issued But Not Yet Effective

The following are accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases: Covid-19 - Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework

Amendments to MFRS 116 Property, Plant and Equipment: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract

Annual Improvements to MFRS Standards 2018 - 2020

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts: Initial application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

Amendments to MFRS 101 Presentation of Financial Statements: Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective date yet to be confirmed

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the above standards is not expected to have any material impact to the financial statements of the Group and of the Company upon adoption.

2.6 Significant Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes To The Financial Statements 31 December 2021 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)**2.6 Significant Accounting Estimates and Judgements (Cont'd)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.6.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

(i) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue to be recognised from contracts with customers:

Determining the customer's ability and intention to pay

Contracts with customers are accounted for when the contract has commercial substance, approved and parties are committed to perform, each party's rights and payment terms are identifiable, and the collection of consideration is probable. The Group determined that the ability and intention to pay the outstanding water bills are important in order to recognise the revenue. Customer profiling and historical payment patterns have been assessed in order to determine the ability and intention to pay. If at inception of the sales contract, collection from sales is in doubt, revenue will not be recognised until the consideration is received.

(ii) LeasesDetermining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (Cont'd)

2.6.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Useful lives of depreciable assets

Plant and machinery are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the plant and machinery to be within 10 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the plant and machinery. A reduction in the estimated useful lives of the plant and machinery would increase the depreciation charge and decrease the non-current assets.

(ii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to estimate the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group has assessed and determined that significant portion of unabsorbed reinvestment allowance will not be utilised and such assessment involves significant estimates and judgement surrounding the availability of the future taxable profit against which the unabsorbed reinvestment allowance can be utilised against.

(iii) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes To The Financial Statements 31 December 2021 (Cont'd)

2. BASIS OF PREPARATION (CONT'D)**2.6 Significant Accounting Estimates and Judgements (Cont'd)****2.6.2 Key sources of estimation uncertainty (Cont'd)****(iv) Provision for expected credit losses ("ECL") of trade receivables**

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECL on the Group's trade receivables is disclosed in Note 29.3.1 to the financial statements.

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

3.1 Consolidation**(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

3. ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Investment in subsidiaries is measured in the Company's financial statements at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(ii) Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.13 to the financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.1 Consolidation (Cont'd)****(iii) Business combination**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

The Group measures the cost of goodwill at the acquisition date at:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquire, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as fair value through other comprehensive income depending on the level of influenced retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

3. ACCOUNTING POLICIES (CONT'D)

3.2 Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost except for assets transferred from customers (see Note 3.3) which are stated at fair value, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "administrative expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated as it has an infinite life. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.2 Property, Plant and Equipment (Cont'd)****(iii) Depreciation (Cont'd)**

The depreciation rates for the current and comparative periods are as follows:

Leasehold land	Amortised over its lease period
Buildings and building improvements	2%
Reservoirs	2%
Plant and machinery	2% - 33.33%
Motor vehicles	20%
Equipment and furniture	10% - 33.33%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

Property, plant and equipment which were acquired from the State Government of Penang upon its corporatisation on 1 March 1999 are depreciated over their remaining useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

3.3 Customers' Contributions

The Group receives contributions from its customers, items of property, plant and equipment ("Transferred Assets") that are used to connect those customers to a network and provide them with ongoing access to water supply. Such transferred assets are recognised as property, plant and equipment on initial recognition at their fair values, whilst the corresponding amount as contract liabilities and amortised over a period not longer than the useful lives of the transferred assets.

The transferred assets consist of mains, freehold and leasehold land. The depreciation of mains and leasehold land and the amortisation of contract liabilities are recognised over the estimated useful lives of the transferred assets, ranging from 50 years to 99 years. Freehold land is not depreciated as it has an infinite life and income is recognised immediately in profit or loss in the year of the transfer.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contain, a lease. It is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3. ACCOUNTING POLICIES (CONT'D)

3.4 Leases (Cont'd)

3.4.1 Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments made and/or to be made, and right-of-use assets representing the right to use the underlying assets.

3.4.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Water assets*	45 years
Premises	2 to 15 years

- * Water assets including the entire assets incorporating plant, equipment, public mains, pipes, treatment plants, pumping stations, service or balancing reservoirs or any combination thereof and all other structures, installations, buildings, equipment and appurtenances located on and forming part of the land.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

3.4.1.2 Lease liabilities

At the commencement date of the lease, lease liabilities are recognised and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.4 Leases (Cont'd)****3.4.1.2 Lease liabilities (Cont'd)**

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.4.1.3 Short term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.4.2 Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statements of comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other operating income in the period in which they are earned.

3.5 Impairment of Non-financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

3. ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of Non-financial Assets (Cont'd)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

(i) Initial recognition and measurement

Financial assets are measured at initial recognition at fair value and subsequently measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. With the exception of trade receivables that does not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, at its transaction costs.

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.6 Financial Instruments (Cont'd)****3.6.1 Financial assets (Cont'd)****(i) Initial recognition and measurement (Cont'd)**

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at AC are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets at FVOCI and FVTPL as at the end of the reporting period.

Financial assets at amortised cost ("AC")

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's and the Company's financial assets at amortised cost include cash and cash equivalents and trade and other receivables.

3. ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (Cont'd)

3.6.1 Financial assets (Cont'd)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statements of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

(iv) Impairment

The Group and the Company recognise allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. ECLs are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade and other receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.6 Financial Instruments (Cont'd)****3.6.1 Financial assets (Cont'd)****(iv) Impairment (Cont'd)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owing. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and the Company's procedures for recovery amounts due.

3. ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments (Cont'd)

3.6.2 Financial liabilities

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at amortised cost
- Financial liabilities at fair value through profit or loss

The Group and the Company do not have any financial liabilities measured at fair value through profit or loss as at the end of the reporting period.

Financial liabilities at amortised cost

After initial recognition, trade and other payables and interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of comprehensive income.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statements of comprehensive income.

3.6.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.7 Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

3.9 Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

3.10 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.11 Equity Instruments**(i) Classification**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

3. ACCOUNTING POLICIES (CONT'D)

3.11 Equity Instruments (Cont'd)

(ii) **Share issuance costs**

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

(iii) **Dividends**

Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained earnings and recognised as a liability in the period in which they are declared or approved.

(iv) **Special rights redeemable preference share**

The special rights redeemable preference share ("SRRPS") would enable the State Government of Penang through the State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or to participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder, may subject to the provisions of the Companies Act 2016, requires the Company to redeem the SRRPS at any time. Other rights and restrictions attached to the SRRPS are set out in Article 21 of the Company's Constitution.

(v) **Repurchase, disposal and reissue of share capital (treasury shares)**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the distributable reserves.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.12 Revenue****3.12.1 Sale of water**

The Group is in the business of abstraction of raw water, treatment of water, supply and sale of treated water to consumers. Revenue from contracts with customers is recognised over time when the customers simultaneously receive and consume the water provided by the Group's performance. Sale of water includes an estimated value of the water consumed by the water consumers from the date of their last meter reading date to the end of the reporting period. Those unbilled water revenue is recognised as contract assets and will be reversed in the subsequent month when the actual billings occur.

3.12.2 Capital contribution funds

Capital contribution funds for trunk mains are recognised as revenue when the performance obligation is met, that is when final reconnection from the trunk mains to the external reticulation mains takes place at a point in time.

3.12.3 Assets transferred from customers

The Group receives mains and land from the developers ("transferred assets") with the purpose of providing the water consumers with ongoing access to the water supply. The transferred assets are recognised at fair value as property, plant and equipment with a corresponding increase in contract liabilities. The amortisation of contract liabilities is presented as revenue.

3.12.4 Training service

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

3.12.5 Dividend income

Dividend income is recognised when the Group's and the Company's rights to receive payment is established.

3.12.6 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as revenue.

3.12.7 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3. ACCOUNTING POLICIES (CONT'D)

3.12 Revenue (Cont'd)

3.12.8 Contract balances

Contract balances consist of the closing balances of the trade receivables and contract assets and liabilities as at the end of the reporting period.

3.12.8.1 Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

3.12.8.2 Contract assets

A contract asset is the right to consideration for services transferred to the customer but not yet billed to the customer.

3.12.8.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of goodwill and assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Notes To The Financial Statements 31 December 2021 (Cont'd)

3. ACCOUNTING POLICIES (CONT'D)**3.13 Income tax (Cont'd)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available to set-off against the unutilised reinvestment allowance.

3.14 Employee Benefits**Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred.

3.15 Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3. ACCOUNTING POLICIES (CONT'D)

3.16 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make the decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.17 Earnings Per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

3.18 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group.
 - (ii) One entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the ultimate holding company or the Group.
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes To The Financial Statements 31 December 2021 (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

GROUP		Land RM'000	Buildings and building improvements RM'000	Reservoirs RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment and furniture RM'000	Capital work-in- progress RM'000	Total RM'000
2021									
At cost									
Balance at beginning		67,502	87,653	118,688	1,475,894	16,754	113,751	24,002	1,904,244
Additions		145	501	-	15,720	1,802	2,159	17,670	37,997
Disposal		-	-	-	-	(194)	(78)	-	(272)
Expensed off *		-	-	-	-	-	-	(10)	(10)
Written off		-	(10)	-	(782)	-	(243)	-	(1,035)
Reclassification		-	784	-	4,849	-	3,055	(8,688)	-
Balance at end		67,647	88,928	118,688	1,495,681	18,362	118,644	32,974	1,940,924
Accumulated depreciation									
Balance at beginning		4,736	26,896	32,712	609,075	13,697	92,221	-	779,337
Current charge		293	1,825	2,544	48,990	1,219	8,195	-	63,066
Disposal		-	-	-	-	(194)	(77)	-	(271)
Written off		-	(5)	-	(486)	-	(232)	-	(723)
Balance at end		5,029	28,716	35,256	657,579	14,722	100,107	-	841,409
Accumulated impairment loss									
Balance at beginning/end		1,419	-	-	1,745	-	-	-	3,164
Carrying amount		61,199	60,212	83,432	836,357	3,640	18,537	32,974	1,096,351

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP	Land RM'000	Buildings and building improvements RM'000	Reservoirs RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Equipment and furniture RM'000	Capital work-in- progress RM'000	Total RM'000
2020								
At cost								
Balance at beginning	67,304	81,157	118,688	1,323,672	15,186	112,468	80,996	1,799,471
Additions	198	2,812	-	28,105	2,303	2,824	72,719	108,961
Disposal	-	-	-	-	(760)	(2,573)	-	(3,333)
Expensed off *	-	-	-	-	-	-	(452)	(452)
Written off	-	(157)	-	(178)	-	(68)	-	(403)
Reclassification	-	3,841	-	124,295	25	1,100	(129,261)	-
Balance at end	67,502	87,653	118,688	1,475,894	16,754	113,751	24,002	1,904,244
Accumulated depreciation								
Balance at beginning	4,443	25,235	30,166	562,633	13,298	84,214	-	719,989
Current charge	293	1,661	2,546	46,549	1,159	10,599	-	62,807
Disposal	-	-	-	-	(760)	(2,545)	-	(3,305)
Written off	-	-	-	(107)	-	(47)	-	(154)
Balance at end	4,736	26,896	32,712	609,075	13,697	92,221	-	779,337
Accumulated impairment loss								
Balance at beginning/end	1,419	-	-	1,745	-	-	-	3,164
Carrying amount	61,347	60,757	85,976	865,074	3,057	21,530	24,002	1,121,743

* The property, plant and equipment expensed off to profit or loss relates to preliminary costs undertaken for capital work-in-progress which have been terminated as they are no longer feasible and have no economic value to the Group.

Notes To The Financial Statements 31 December 2021 (Cont'd)

4. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)****COMPANY**

	Equipment and furniture	
	2021	2020
	RM'000	RM'000
At cost		
Balance at beginning	-	228
Disposals	-	(228)
Balance at end	-	-
Accumulated depreciation		
Balance at beginning	-	201
Disposals	-	(201)
Balance at end	-	-
Carrying amount	-	-

(i) Included in the carrying amount of land are:

	GROUP	
	2021	2020
	RM'000	RM'000
Freehold land	37,143	36,998
Leasehold land	24,056	24,349
	61,199	61,347

(ii) Certain leasehold land of the Group with carrying amount of **RM24,000** (2020: RM24,000) is in the process of being registered under the name of a subsidiary.

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (iii) The information of right-of-use assets which are included in the property, plant and equipment is as follows:

	GROUP	
	Carrying amount RM'000	Current depreciation RM'000
2021		
Leasehold land	<u>24,056</u>	<u>293</u>
2020		
Leasehold land	<u>24,349</u>	<u>293</u>

- (iv) On 28 August 2019, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), a wholly-owned subsidiary of the company had entered into a Sale and Purchase Agreement for the disposal of a piece of land located at Pulau Jerejak, Penang for a total cash consideration of RM10 million. The disposal has been completed subsequent to the year end upon obtaining approval from the Pejabat Tanah dan Galian Pulau Pinang.

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**As a lessee**

Pursuant to the Water Services Industry Act 2006 (Act 655) with the objective amongst others to establish a regulatory environment that facilitates self-sustainability amongst the water operators in the water service industry, a subsidiary has henceforth entered into Facility and Lease Agreements with Pengurusan Aset Air Berhad ("PAAB") to enable water supply services to be carried out on the lands leased from PAAB. The lease amounted to RM14.56 million per annum for a period of 45 years effective 1 August 2011. These Facility and Lease Agreements supersede the operating lease agreements previously entered into with Bahagian Kawal Selia Air.

The Group has lease contracts for various items of water assets (including the entire assets incorporating plant, equipment, public mains, pipes, treatment plants, pumping stations, service or balancing reservoirs or any combination thereof and all other structures, installations, buildings, equipment and appurtenances located on and forming part of the land leased) and premises used for its operations and administrative purposes. Leases of water assets are 45 years and premises generally have lease terms between 2 to 15 years. Certain lease contracts for premises that have lease terms between 2 to 3 years have an option to renew the lease after the expiry date. Generally, the Group is restricted from assigning and subleasing the leased assets.

Notes To The Financial Statements 31 December 2021 (Cont'd)

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**As a lessee (Cont'd)**

The Group and the Company also lease certain office equipment with lease terms of 12 months or less or with low value. The Group and the Company apply the “short-term lease” and “lease of low-value assets” recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the financial year:

GROUP

	Water assets RM'000	Premises RM'000	Total RM'000
2021			
Balance at beginning	185,838	5,566	191,404
Additions	-	401	401
Depreciation	(5,223)	(1,494)	(6,717)
Balance at end	180,615	4,473	185,088
2020			
Balance at beginning	191,061	6,236	197,297
Additions	-	871	871
Depreciation	(5,223)	(1,541)	(6,764)
Balance at end	185,838	5,566	191,404

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)***Lease liabilities***

Set out below are the carrying amounts of lease liabilities recognised and the movements during the financial year:

	GROUP	
	2021	2020
	RM'000	RM'000
Balance at beginning	229,056	231,597
Additions	401	871
Accretion of interest	13,016	13,194
Payments	(16,588)	(16,606)
Rent concession	(83)	-
Balance at end	225,802	229,056
Analysed as:		
Current	3,585	3,502
Non-current	222,217	225,554
	225,802	229,056

The maturity analysis of lease liabilities is disclosed in Note 29.4 to the financial statements.

The following are the amounts recognised in profit or loss:

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Depreciation expense of right-of-use assets	6,717	6,764	-	-
Accretion of interest on lease liabilities	13,016	13,194	-	-
Expense relating to lease of short-term leases	11	13	-	-
Expense relating to lease of low-value assets	216	247	12	13
Total amount recognised in profit or loss	19,960	20,218	12	13

Notes To The Financial Statements 31 December 2021 (Cont'd)

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)**As a lessor**

The Group leased part of its freehold land and building to third parties for a period ranging from 3 to 60 years. The Group has certain lease contracts with rent increment of 20% every five years. Rental income recognised by the Group during the year is **RM1,936,000** (2020: RM1,457,000).

Future minimum rentals receivables under the non-cancellable operating leases as at the end of the reporting period are as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Within 1 year	1,256	486
More than 1 year but less than 5 years	3,069	1,772
More than 5 years	39,700	40,679
	44,025	42,937

6. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2021	2020
	RM'000	RM'000
Unquoted shares, at cost	367,594	367,594

The details of the subsidiaries, which the principal place of business are all in Malaysia, are as follows:

Name of subsidiaries	Effective equity interest		Principal activities
	2021	2020	
	%	%	
Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd.	100	100	Water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers.
PBA Resources Sdn. Bhd.	100	100	Providing training facilities, education and other non-water related businesses.
PBA Green Technology Sdn. Bhd.	100	100	Dormant.

7. INVENTORIES

	GROUP	
	2021 RM'000	2020 RM'000
Spare parts and consumables	8,282	8,265
Chemicals	610	683
	8,892	8,948
Recognised in profit or loss:		
Inventories recognised as cost of sales	10,505	11,713
Inventories written down	201	29
Reversal of inventories written down	-	(42)

8. TRADE AND OTHER RECEIVABLES

	NOTE	GROUP		COMPANY	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade receivables	8.1	38,988	40,462	-	-
Less: Allowance for expected credit losses	8.1	(8,393)	(8,800)	-	-
		30,595	31,662	-	-
Non-trade					
Other receivables		9,558	8,587	-	41
Less: Allowance for expected credit losses	8.2	(3,274)	(3,068)	-	-
		6,284	5,519	-	41
Amount due from subsidiaries	8.3	-	-	44	7,963
Deposits		5,854	6,460	5	-
Prepayments		990	920	19	-
		13,128	12,899	68	8,004
		43,723	44,561	68	8,004

Notes To The Financial Statements 31 December 2021 (Cont'd)

8. TRADE AND OTHER RECEIVABLES (CONT'D)**8.1 Trade receivables**

The Group's credit policy provides trade receivables with **30 days** (2020: 30 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The movement of the allowance for expected credit losses is as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Balance at beginning	8,800	8,044
Current year	2,682	3,241
Recovered	(2,735)	(1,977)
Written off	(354)	(508)
Balance at end	8,393	8,800

8.2 Other receivables

The movement of the allowance for expected credit losses is as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Balance at beginning	3,068	2,958
Current year	482	123
Recovered	(272)	(12)
Written off	(4)	(1)
Balance at end	3,274	3,068

8.3 Amount due from subsidiaries

The amount due from subsidiaries is non-trade related, unsecured, non-interest bearing and classified based on the expected timing of realisation.

9. CONTRACT ASSETS

	GROUP	
	2021	2020
	RM'000	RM'000
Balance at beginning/end	23,426	23,426

Contract assets primarily relate to the Group's right to consideration for water supplied but not yet billed at the end of the reporting period.

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash in hand and at bank	52,450	39,473	8,125	263
Short term funds with licensed financial institutions	88,793	68,344	36,095	36,309
	141,243	107,817	44,220	36,572

Short-term funds with licensed financial institutions are funds that invest in a mixture of money market instruments and fixed deposits with different maturity profile. The funds can be redeemed at any point in time upon request.

11. SHARE CAPITAL

		2021		2020	
	NOTE	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid with no par value					
Special rights redeemable preference share ("SRRPS")	11.1	*	**	*	**
Ordinary shares		331,271	327,579	331,271	327,579
		331,271	327,579	331,271	327,579

* 1 SRRPS

** RM0.50

Notes To The Financial Statements 31 December 2021 (Cont'd)

11. SHARE CAPITAL (CONT'D)**11.1 Special rights redeemable preference share ("SRRPS")**

The SRRPS would enable the State Government of Penang through the State Secretary, Penang to ensure that certain major decisions affecting the operations of the Company are consistent with the State Government of Penang's policies. The SRRPS can only be held by the State Secretary, Penang or its successor, or the Chief Minister or any person acting on behalf of the State Government of Penang ("Special Shareholder").

The Special Shareholder is not entitled to any dividend or to participate in the capital distribution upon the dissolution of the Company but shall rank for repayment in priority to the ordinary shares. The Special Shareholder may, subject to the provisions of the Companies Act 2016 requires the Company to redeem the SRRPS at any time. Other rights and restrictions attached to the SRRPS are set out in Article 21 of the Company's Constitution.

12. RESERVES

		GROUP		COMPANY	
		(Restated)			
	NOTE	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Distributable					
Retained earnings	12.1	412,625	383,331	80,251	80,637
Non-distributable					
Treasury shares	12.2	(236)	(236)	(236)	(236)
		412,389	383,095	80,015	80,401

12.1 Retained earnings

The franking of dividends of the Company is under the single tier system and therefore there is no restriction on the Company to distribute dividends subject to the availability of retained earnings.

12.2 Treasury shares

The shareholders of the Company in the Annual General Meeting held on 22 June 2021, approved the Company's plan to purchase up to 10% of its issued and paid-up share capital of ordinary shares.

Of the total 331,270,401 issued and paid-up ordinary shares as at the end of the reporting period, **272,900** (2020: 272,900) ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue is therefore **330,997,501** (2020: 330,997,501) ordinary shares.

13. CONTRACT LIABILITIES

	NOTE	GROUP	
		2021 RM'000	2020 RM'000
Capital contribution funds ("CCF")	13.1		
Balance at beginning		28,787	30,093
Additions during the year		18,009	32,060
Revenue recognised during the year		(27,546)	(33,366)
Balance at end		19,250	28,787
Assets transferred from customers	13.2		
Balance at beginning		96,074	86,626
Additions during the year		9,643	11,634
Revenue recognised during the year		(2,354)	(2,186)
Balance at end		103,363	96,074
Total		122,613	124,861
Analysed as:			
Non-current		101,089	93,978
Current		21,524	30,883
		122,613	124,861

13.1 Capital contribution funds ("CCF")

CCF represent funds contributed by the property developers for connecting the external reticulation mains to the trunk mains.

13.2 Assets transferred from customers

Assets transferred from customers consist of mains and land from the developer with the purpose of providing the water consumers with on going access to the water supply. Subsequent to initial recognition, the amount is amortised over the useful lives of these assets as disclosed in Note 3.3 to the financial statements.

Notes To The Financial Statements 31 December 2021 (Cont'd)

14. LOANS AND BORROWINGS

		GROUP	
	NOTE	2021 RM'000	2020 RM'000
Unsecured:			
Loans from Federal Government via the State Government of Penang			
	14.1		
Nominal value of loans		36,000	38,200
Less: Deemed interest recognised as government grant		(12,696)	(14,026)
Add: Amortised interest		1,282	1,330
Less: Repayment		(2,200)	(2,200)
		22,386	23,304
Loan from State Government of Penang			
	14.2		
Nominal value of loan		-	40,000
Less: Deemed interest recognised as government grant		-	(3,126)
Add: Amortised interest		-	430
Realisation upon repayment		-	2,696
Less: Repayment		-	(40,000)
		-	-
		22,386	23,304
Analysed as:			
Non-current		21,417	22,386
Current		969	918
		22,386	23,304

14. LOANS AND BORROWINGS (CONT'D)

A summary of effective interest rate and maturities of the loans and borrowings is as follows:

	Effective interest rate per annum (%)	Total RM'000	Within 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2021						
Loans and borrowings	5.50	22,386	969	1,022	3,416	16,979
2020						
Loans and borrowings	5.68	23,304	918	969	3,238	18,179

14.1 Loans from Federal Government via the State Government of Penang

A subsidiary had on 16 January 2012 and 24 October 2014 obtained term loans of RM20 million and RM24 million respectively from the Federal Government via the State Government of Penang to finance non-revenue water projects. The term loans are unsecured, non-interest bearing and repayable as follows:

- RM20 million - 20 equal annual instalment of RM1 million repayable over 20 years with effect from 11 September 2016; and
- RM24 million - 40 equal bi-annual instalment of RM0.6 million repayable over 20 years with effect from 10 December 2018.

14.2 Loan from State Government of Penang

A subsidiary had on 1 June 2016 obtained a term loan of RM80 million from the State Government of Penang to finance capital expenditure projects in relation to the replacements of pipelines, water meters, upgrading of the water treatment plants and water reservoirs. The term loan is unsecured and repayable over 10 years with effect from 26 June 2020.

In prior financial year, the subsidiary had made an early repayment of the remaining RM40 million to the State Government of Penang as full settlement of the RM80 million loan obtained on 1 June 2016.

Notes To The Financial Statements 31 December 2021 (Cont'd)

15. DEFERRED INCOME

	GROUP	
	2021	2020
	RM'000	RM'000
Government grant		
Balance at beginning	12,696	17,152
Transfer from loans and borrowings	-	(2,696)
Less: Amortisation	(1,282)	(1,760)
Balance at end	11,414	12,696

Government grant represents the difference between the nominal value of the loans obtained as disclosed in Note 14.1 and Note 14.2 to the financial statements and the fair value of the loans measured on initial recognition. The government grant is realised over the period from the initial loan drawdown date up to the maturity date of the loans.

16. DEFERRED LIABILITIES

	GROUP	
	2021	2020
	RM'000	RM'000
Non-current	53,576	55,171
Current	1,595	1,595
	55,171	56,766

Pursuant to migration of the Penang State Water Assets and the loans to Pengurusan Aset Air Berhad ("PAAB") in the financial year 2011, a subsidiary had entered into Facility and Lease Agreements ("FLA") with PAAB to enable water supply services to be carried out on the lands leased from PAAB. The FLA is effective for a period of 45 years from 1 August 2011.

Following the above events, the outstanding balance of the loans obtained from the Federal Government via the State Government of Penang was converted into lease incentives, classified under deferred liabilities and are amortised over the lease period of 45 years with effect from 1 August 2011. During the financial year, **RM1,595,000** (2020: RM1,595,000) was amortised and recognised as miscellaneous income.

17. DEFERRED TAX LIABILITIES

	GROUP	
	(Restated)	
	2021	2020
	RM'000	RM'000
Balance at beginning		
- As previously stated	148,000	142,000
- Effect of contract assets arising from unbilled water revenue not accounted for (Note 32)	6,000	6,000
Balance at beginning, restated	154,000	148,000
Recognised in profit or loss (Note 22)		
- Current year	(9,000)	5,000
- Under provision in prior year	-	1,000
Balance at end	145,000	154,000

The deferred tax liabilities as at the end of the reporting period are made up of the temporary differences arising from:

	GROUP	
	(Restated)	
	2021	2020
	RM'000	RM'000
Property, plant and equipment	178,000	166,000
Capital contribution funds	11,000	10,000
Contract assets	6,000	6,000
Right-of-use assets	44,000	46,000
Lease liabilities	(53,000)	(54,000)
Unabsorbed capital allowance	(16,000)	(12,000)
Unabsorbed reinvestment allowance	(19,000)	(3,000)
Other deductible temporary differences	(6,000)	(5,000)
	145,000	154,000

Notes To The Financial Statements 31 December 2021 (Cont'd)

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	3,994	5,760	-	-
Non-trade				
Other payables and accruals	57,685	67,759	104	102
Amount due to a subsidiary	-	-	107	-
Dividend payable	4,138	4,138	4,138	4,138
Refundable deposits	111,761	110,095	-	-
	173,584	181,992	4,349	4,240
	177,578	187,752	4,349	4,240

Refundable deposits

Refundable deposits comprise mainly water supply deposits and security deposits received from customers.

19. REVENUE**19.1 Disaggregated revenue information**

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Types of goods or services				
Sale of water	304,046	299,335	-	-
Capital contribution funds	27,546	33,366	-	-
Assets transferred from customers	2,354	2,186	-	-
Training service	251	438	-	-
Revenue from contracts with customers	334,197	335,325	-	-

19. REVENUE (CONT'D)

19.1 Disaggregated revenue information (Cont'd)

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gross dividend from a subsidiary	-	-	7,953	7,953
Distribution income from short term funds	618	978	618	978
Other revenues	618	978	8,571	8,931
Total revenues	334,815	336,303	8,571	8,931

Geographical segment

The revenue derived is confined to Penang, Malaysia.

Timing of revenue recognition

	GROUP		COMPANY	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue recognised at a point in time	27,797	33,804	-	-
Revenue recognised over time	306,400	301,521	-	-
Total revenues from contracts with customers	334,147	335,325	-	-

Notes To The Financial Statements 31 December 2021 (Cont'd)

19. REVENUE (CONT'D)**19.2 Contract balances**

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Trade receivables (Note 8)	30,595	31,662	-	-
Contract assets (Note 9)	23,426	23,426	-	-
Contract liabilities (Note 13)	122,613	124,861	-	-
	176,634	179,949	-	-

19.3 Performance obligations

Types of goods or services	Point of recognition
Sale of water	recognised over time when the customer simultaneously receives and consumes the water provided by the Subsidiary's performance.
Capital contribution funds	upon final connection from the trunk mains to the external reticulation mains takes place at a point in time.
Assets transferred from customers	recognised over time using the useful lives of the assets.
Training service	upon delivery of the services to the customers.

20. OPERATING PROFIT

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
After charging:				
Accretion of interest on lease liabilities	13,016	13,194	-	-
Allowance for expected credit losses of trade and other receivables	3,164	3,364	-	-
Auditors' remuneration				
- audit fees	175	177	32	32
- non-audit fees	5	5	5	5
Chemical costs	8,362	9,568	-	-
Directors' allowances				
- present Directors	986	910	243	148
- past Directors	28	55	13	44
Employee benefits expense (Note 21)	98,644	93,877	-	-
Energy costs	67,133	72,982	-	-
Inventories written down	201	29	-	-
Property, plant and equipment:				
- depreciation	63,066	62,807	-	-
- expensed off	10	452	-	-
- written off	312	249	-	-
Raw water intake charges	9,634	9,433	-	-
Rental of equipment	219	226	12	13
Rental of premises	8	34	-	-
Right-of-use assets:				
- depreciation	6,717	6,764	-	-
Unwinding discounts on loans and borrowings	1,282	1,760	-	-
Water supply licence fee	3,099	3,036	-	-

Notes To The Financial Statements 31 December 2021 (Cont'd)

20. OPERATING PROFIT (CONT'D)

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
And after crediting:				
Amortisation of deferred liabilities	1,595	1,595	-	-
Distribution income from short term funds	1,248	2,588	-	-
Gain on disposal of				
- property, plant and equipment	31	137	-	-
- short term funds	-	5	-	-
Income from miscellaneous jobs	416	479	-	-
Income from reconnection, final connection and warning notice charges	618	749	-	-
Income from meter installation and disconnection charges	1,863	1,807	-	-
Interest income	524	555	6	-
Realisation of government grant	1,282	1,760	-	-
Rent concession	83	-	-	-
Rental income	1,936	1,457	-	-
Reversal of allowance for expected credit losses	3,007	1,989	-	-
Reversal of inventories written down	-	42	-	-

21. EMPLOYEE BENEFITS EXPENSE

	GROUP	
	2021	2020
	RM'000	RM'000
Wages and salaries	74,527	71,529
Defined contribution plan	11,494	11,038
Social security costs	907	893
Employment insurance system	103	99
Other staff related expenses	11,613	10,318
	98,644	93,877

22. TAX INCOME/(EXPENSE)

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	(495)	(515)	(1)	(1)
- Over/(Under) provision in prior year	125	(299)	-	1
	(370)	(814)	(1)	-
Deferred tax				
- Relating to origination and reversal of temporary differences	9,000	(5,000)	-	-
- Under provision in prior year	-	(1,000)	-	-
	9,000	(6,000)	-	-
	8,630	(6,814)	(1)	-

The reconciliation of tax income/(expense) of the Group and of the Company are as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax	28,111	31,572	7,062	7,123
Income tax at Malaysian statutory tax rate of 24%	(6,747)	(7,577)	(1,695)	(1,710)
Income not subject to tax	493	635	2,097	2,143
Expenses not deductible for tax purposes	(1,181)	(1,966)	(403)	(434)
Deferred tax assets recognised on unabsorbed reinvestment allowance	1,571	20,713	-	-
Reversal of deferred tax assets on unabsorbed reinvestment allowance previously recognised	-	(17,320)	-	-
Unabsorbed reinvestment allowance previously unrecognised, now recognised	14,369	-	-	-
Over/(Under) provision in prior year	125	(1,299)	-	1
	8,630	(6,814)	(1)	-

Notes To The Financial Statements 31 December 2021 (Cont'd)

22. TAX INCOME/(EXPENSE) (CONT'D)

The following deferred tax assets (gross amount) have not been recognised as at the end of the reporting period as it is not probable that future taxable profit will be available against which they may be utilised:

	GROUP	
	2021	2020
	RM'000	RM'000
Unabsorbed reinvestment allowance	616,552	676,423

The gross amount and future availability of unabsorbed allowances which are available to be carried forward for set-off against future taxable income are estimated as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Unabsorbed capital allowances	66,802	52,704
Unabsorbed reinvestment allowance	694,908	688,361

Unabsorbed reinvestment allowance at the end of the qualifying reinvestment allowance can be carried forward for seven consecutive years of assessment. However, unabsorbed capital allowance can be carried forward indefinitely.

The expiry of the unabsorbed reinvestment allowance is as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Year of assessment 2025	605,043	605,043
Year of assessment 2027	83,318	83,318
Year of assessment 2028	6,547	-
	694,908	688,361

23. EARNINGS PER SHARE**Basic earnings per ordinary share**

The basic earnings per ordinary share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Profit attributable to owners of the Company (RM'000)	36,741	24,758
Weighted average number of ordinary shares in issue ('000)	330,998	330,998
Basic earnings per ordinary share (sen)	11.10	7.48
Number of ordinary shares in issue ('000)	331,271	331,271
Effect of number of treasury shares held ('000)	(273)	(273)
Weighted average number of ordinary shares in issue ('000)	330,998	330,998

Basic and diluted earnings per share are the same as the Company does not have any dilutive potential ordinary shares as at the end of the reporting period.

24. DIVIDENDS

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2021			
2020 single tier final dividend	1.00	3,309	30 July 2021
2021 single tier interim dividend	1.25	4,138	14 January 2022
	2.25	7,447	
2020			
2019 single tier final dividend	1.75	5,792	16 October 2020
2020 single tier interim dividend	1.25	4,138	15 January 2021
	3.00	9,930	

Notes To The Financial Statements 31 December 2021 (Cont'd)

24. DIVIDENDS (CONT'D)

A single tier final dividend of 1.00 sen per share amounting to RM3,309,975 for the financial year ended 31 December 2021 was recommended by the Directors subject to the approval of shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

25. SIGNIFICANT RELATED PARTY DISCLOSURES**Identity of related parties**

The Group has related party relationship with its controlling shareholders, subsidiaries and key management personnel.

Key management personnel

The key management personnel compensations are as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Directors:				
- allowances	1,014	965	256	192
- indemnity given to or insurance effected for any Director	31	30	22	20
- other benefits	63	61	45	35
- estimated monetary value of benefits-in-kind	16	16	-	-
	1,124	1,072	323	247
Other key management personnel:				
- short-term employee benefits	5,049	4,685	61	48
- defined contribution plan	893	846	-	-
- estimated monetary value of benefits-in-kind	23	18	-	-
	5,965	5,549	61	48
	7,089	6,621	384	295

25. **SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)**

Government related entities

A subsidiary, Perbadanan Bekalan Air Pulau Pinang Sdn. Bhd. ("PBAPP"), transacts with entities directly or indirectly controlled by the State Government of Penang through its state government authorities, agencies, affiliations and other organisations, collectively referred to as government-related entities. The transactions with these government-related entities include but are not limited to the sale of water, rendering and receiving of services, leasing of assets, and use of public utilities.

These transactions are conducted in the ordinary course of PBAPP's business. PBAPP has established policies, pricing strategy and approval process for purchases and sales of products and services, which are independent of whether the counterparties are government-related entities or not.

Management estimates that the aggregate amount of PBAPP's significant transactions with other government-related entities approximate **2%** (2020: 2%) of the Group's revenue and **4%** (2020: 4%) of the Group's total expenses as at the end of the reporting period.

Loan repayment to State Government of Penang during the financial year amounted to **RM2.2 million** (2020: RM42.2 million).

26. **CAPITAL COMMITMENTS**

	GROUP	
	2021	2020
	RM'000	RM'000
Contracted but not provided for:		
- property, plant and equipment	62,000	35,000
Authorised but not contracted for:		
- property, plant and equipment	312,000	371,000

Notes To The Financial Statements 31 December 2021 (Cont'd)

27. OPERATING LICENCE FOR WATER SUPPLY SERVICE OPERATIONS

Amendments to the Federal Constitution were made to transfer the jurisdiction of water supply services from the State List to the Concurrent List. These amendments were gazetted on 10 February 2005 and they enable the Federal Government to regulate water supply services while the State Government regulates the raw water resources.

New acts were subsequently enacted, namely the Water Services Industry Act 2006 (Act 655) (WSIA 2006) and the Suruhanjaya Perkhidmatan Air Negara Act 2006 (Act 654)(SPAN 2006). The WSIA 2006, which came into force on 1 January 2011, provides for the regulation of water supply services and sewerage services and the establishment of licensing and regulatory framework to promote the national policy objectives for the water supply services and sewerage services industries. The SPAN 2006, which was approved by Parliament in June 2006 and came into force on 1 February 2007, provides for the establishment of the regulatory body called Suruhanjaya Perkhidmatan Air Negara (SPAN) to carry out the provisions of WSIA 2006.

On 2 June 2011, the subsidiary was granted an Individual Service Licence and Facility Licence by SPAN pursuant to Section 9 of the WSIA 2006. The licence is renewable every three years and will expire in 31 December 2022. The licence fees payable is calculated at 1% of the subsidiary's gross turnover, which is interpreted as revenue derived from the principal activities of the subsidiary and is inclusive of other water related income.

28. SEGMENTAL INFORMATION

The Group has only one reportable segment, which is principally engaged in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers in the State of Penang and to engage in water related business. The Group's Chief Executive Officer (the Chief operating decision maker) reviews internal management reports on the reportable segment on a quarterly basis.

Accordingly, information by operating segment on the Group's operations as required by *MFRS 8* is not presented.

Geographical segment

Geographical segment information has not been prepared as the Group's operations are confined to Penang, Malaysia.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Carrying amount RM'000	AC RM'000
GROUP		
2021		
Financial assets		
Trade and other receivables excluding prepayments	42,733	42,733
Cash and cash equivalents	141,243	141,243
	183,976	183,976
Financial liabilities		
Loans and borrowings	22,386	22,386
Trade and other payables excluding dividend payable	173,440	173,440
	195,826	195,826
2020		
Financial assets		
Trade and other receivables excluding prepayments	43,641	43,641
Cash and cash equivalents	107,817	107,817
	151,458	151,458
Financial liabilities		
Loans and borrowings	23,304	23,304
Trade and other payables excluding dividend payable	183,614	183,614
	206,918	206,918

Notes To The Financial Statements 31 December 2021 (Cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)**29.1 Categories of financial instruments (Cont'd)**

	Carrying amount RM'000	AC RM'000
COMPANY		
2021		
Financial assets		
Trade and other receivables excluding prepayments	49	49
Cash and cash equivalents	44,220	44,220
	<u>44,269</u>	<u>44,269</u>
Financial liability		
Trade and other payables excluding dividend payable	211	211
	<u>211</u>	<u>211</u>
2020		
Financial assets		
Trade and other receivables	8,004	8,004
Cash and cash equivalents	36,572	36,572
	<u>44,576</u>	<u>44,576</u>
Financial liability		
Trade and other payables excluding dividend payable	102	102
	<u>102</u>	<u>102</u>

29.2 Financial risk management

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables. The Company's exposure to credit risk arises principally from amount due from its subsidiaries.

29.3.1 Receivables

Credit risks are minimised and monitored via deposits received from customers. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statements of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are stated at their carrying amount. The Group uses ageing analysis to monitor the credit quality of the trade receivables.

The disclosure of the exposure of credit risk for trade receivables as at the end of the reporting period by geographic region is not disclosed as the Group's operations are confined to the State of Penang.

The Group maintains an ageing analysis in respect of trade receivables only.

The ageing analysis of the Group's trade receivables as at the end of the reporting period is as follows:

	Gross RM'000	Allowance for expected credit losses RM'000	Net RM'000
2021			
Not past due	13,698	-	13,698
1 to 30 days past due	5,298	-	5,298
31 to 365 days past due	11,599	-	11,599
	16,897	-	16,897
Impaired	8,393	(8,393)	-
	<u>38,988</u>	<u>(8,393)</u>	<u>30,595</u>

Notes To The Financial Statements 31 December 2021 (Cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)**29.3 Credit risk (Cont'd)****29.3.1 Receivables (Cont'd)**

	Gross RM'000	Allowance for expected credit losses RM'000	Net RM'000
2020			
Not past due	12,711	-	12,711
1 to 30 days past due	5,110	-	5,110
31 to 365 days past due	13,841	-	13,841
	18,951	-	18,951
Impaired	8,800	(8,800)	-
	<u>40,462</u>	<u>(8,800)</u>	<u>31,662</u>

Maximum exposure to credit risk

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross RM'000	Allowance for expected credit losses RM'000	Net RM'000
Credit risk rating			
2021			
Low risk	30,595	-	30,595
Individually impaired	8,393	(8,393)	-
	<u>38,988</u>	<u>(8,393)</u>	<u>30,595</u>
2020			
Low risk	31,662	-	31,662
Individually impaired	8,800	(8,800)	-
	<u>40,462</u>	<u>(8,800)</u>	<u>31,662</u>

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Credit risk (Cont'd)

29.3.1 Receivables (Cont'd)

Maximum exposure to credit risk (Cont'd)

The group analyses credit risk based on months past due and generally customers with outstanding past due water bills of less than twelve months are considered low risk while those above twelve months are high risk and individually impaired.

In managing the credit risk of the trade receivables, the Group has collected the water supply deposits from the consumers according to the SPAN uniform technical guidelines. The Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group measures the allowance for expected credit losses of trade receivables at an amount equal to lifetime ECL using a simplified approach. The expected credit losses on trade receivables are estimated based on past default experience and an analysis of the trade receivables' current financial position, adjusted for factors that are specific to the trade receivables such as inactive billing account. Given the short period exposed to credit risk, the impact of the forward looking macroeconomics factors towards the expected credit losses is not significant as at the end of the reporting period.

The Group reserves the right to clamp the water meter and to disconnect the water supply of those long overdue balances. Warning notices will be issued as reminder to the consumers before the actual disconnection is taken place. The Group assesses the historical default experience of respective long overdue balances individually and impairs trade receivables which have been past due for more than twelve months without any collection being noted. The Group will fully impair the outstanding balances if the water bill account has become inactive and has been terminated subsequently.

29.3.2 Intercompany balances

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statements of financial position.

The Company continuously monitors the results of its subsidiaries and there was no indication that the amount due from the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of these advances.

29.4 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from its various payables and loans and borrowings while the Company's exposure to liquidity risk arises principally from its various payables.

Notes To The Financial Statements 31 December 2021 (Cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)**29.4 Liquidity risk (Cont'd)**

The Group and the Company maintain a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than five years RM'000	More than five years RM'000
GROUP					
2021					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings	22,386	33,800	2,200	8,800	22,800
Lease liabilities	225,802	512,355	16,406	64,508	431,441
Trade and other payables excluding dividend payable	173,440	173,440	173,440	-	-
Total undiscounted financial liabilities	421,628	719,595	192,046	73,308	454,241
2020					
<i>Non-derivative financial liabilities</i>					
Loans and borrowings	23,304	36,000	2,200	8,800	25,000
Lease liabilities	229,056	528,608	16,514	64,469	447,625
Trade and other payables excluding dividend payable	183,614	183,614	183,614	-	-
Total undiscounted financial liabilities	435,974	748,222	202,328	73,269	472,625

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.4 **Liquidity risk (Cont'd)**

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than five years RM'000	More than five years RM'000
COMPANY					
2021					
<i>Non-derivative financial liabilities</i>					
Trade and other payables excluding dividend payables, representing total undiscounted financial liabilities	211	211	211	-	-
2020					
<i>Non-derivative financial liabilities</i>					
Trade and other payables excluding dividend payables, representing total undiscounted financial liabilities	102	102	102	-	-

30. **FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their fair values due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

Notes To The Financial Statements 31 December 2021 (Cont'd)

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the financial year.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt to equity ratio, which is calculated as total borrowings divided by total equity as follows:

	GROUP	
	2021	2020
	RM'000	RM'000
Total borrowings	22,386	23,304
Less: Cash and cash equivalents	(141,243)	(107,817)
Net cash surplus	(118,857)	(84,513)
Total equity	739,968	710,674
Gearing ratio	-	-

32. COMPARATIVE FIGURES

The financial statements of the Group have been retrospectively restated due to the Group had inadvertently not accounted for the contract assets arising from unbilled water revenue in the prior financial years. The deferred tax impact was also accounted for and retrospectively adjusted.

The effects of the above adjustments to the financial statements of the Group are as follows:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
GROUP			
Statements of financial position			
As at 31 December 2020			
Contract assets	-	23,426	23,426
Deferred tax liabilities	148,000	6,000	154,000
Reserves	<u>365,669</u>	<u>17,426</u>	<u>383,095</u>
As at 1 January 2020			
Contract assets	-	23,426	23,426
Deferred tax liabilities	142,000	6,000	148,000
Reserves	<u>350,841</u>	<u>17,426</u>	<u>368,267</u>

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

Issued Shares	: 331,270,401 Ordinary Shares (“Shares”) with 1 Special Rights Redeemable Preference Share (“Special Share”)
Class of Equity Securities	: Ordinary Shares (“Shares”)
Voting Right	: 1 vote per Share

Distribution Schedule of Shareholders

No. of Holders	Size of Shareholdings	No. of Issued Shares #	% #
17	Less than 100	437	*
5,135	100 - 1,000	4,978,529	1.50
2,035	1,001 - 10,000	8,879,901	2.69
620	10,001 to 100,000 Shares	19,031,933	5.75
133	100,001 to less than 5% of Issued shares	82,956,700	25.06
2	5% and above of Issued Shares	215,150,001	65.00
7,942		330,997,501	100.00

SUBSTANTIAL SHAREHOLDERS*(Excluding those who are bare trustees pursuant to Section 130 of the Companies Act, 2016)*

Name	No. of Shares beneficially held				
	Direct Interest	% #	Indirect Interest	%	Note
State Secretary, Penang	182,050,001	55.00	-	-	a
Penang Development Corporation	33,100,000	10.00	-	-	-

Analysis of Shareholdings As At 31 March 2022 (Cont'd)

DIRECTORS' SHAREHOLDINGS

Name	No. of Shares beneficially held			
	Direct Interest	%	Indirect Interest	%
YAB Tuan Chow Kon Yeow				
YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman	-	-	-	-
YB Prof. Dr. P. Ramasamy A/L Palanisamy	-	-	-	-
YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus	-	-	-	-
YB Dato' Dr. Mohamad Farazi Bin Md Zohari @ Johari	-	-	-	-
YB Tuan Zairil Khir Johari	-	-	-	-
YB Tuan Muhammad Faiz Bin Fadzil	-	-	-	-
YB Dato' Muhammad Bakhtiar Bin Wan Chik	-	-	-	-
YBhg. Dato' Agatha Foo Tet Sin	-	-	-	-
Puan Mary Geraldine Phipps	-	-	-	-
YBhg. Dato' Brian Tan Guan Hooi	-	-	-	-
Encik Ha Charm Mun	-	-	-	-
Cik Lim Kim Suan				

CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

Name	No. of Shares beneficially held			
	Direct Interest	% #	Indirect Interest	% #
YBhg. Dato' Ir. Jaseni Bin Maidinsa	100,000	0.03	-	-

INTEREST IN THE RELATED CORPORATIONS

None of the above Directors have any interest in Shares in the related corporations of the Company.

Analysis of Shareholdings As At 31 March 2022 (Cont'd)

List of the 30 Largest Securities Account Holders

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held #	% #
1	STATE SECRETARY, PENANG	182,050,001	55.00
2	PENANG DEVELOPMENT CORPORATION	33,100,000	10.00
3	YAYASAN BUMIPUTRA PULAU PINANG BHD.	13,567,900	4.10
4	OOI CHIENG SIM	6,127,600	1.85
5	NEOH CHOO EE & COMPANY, SDN. BERHAD	5,000,000	1.51
6	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE	4,767,900	1.44
7	CIMB GROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS BANK LTD	4,098,700	1.24
8	KENANGA NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM KUAN GIN	3,587,900	1.08
9	HSBC NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR CACEIS BANK	3,197,600	0.97
10	AFFIN HWANG NOMINEES (ASING) SDN. BHD. DBS VICKERS SECS (S) PTE LTD FOR VOYAGER ASSETS LIMITED	2,099,100	0.63
11	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG KAM MUN	1,936,500	0.59
12	SHIN LEE YEUCH @ CHIN LEE YEUK	1,900,000	0.57
13	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CREDIT SUISSE	1,719,800	0.52
14	CHONG CHEE HUI	1,660,000	0.50
15	HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	1,600,000	0.48
16	LIM MING LANG @ LIM MING ANN	1,264,900	0.38

Analysis of Shareholdings As At 31 March 2022 (Cont'd)

List of the 30 Largest Securities Account Holders (Cont'd)

(without aggregating the securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares held #	% #
17	EMERALD LODGE SDN. BHD.	1,264,000	0.38
18	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG PHOOI YIN	1,102,800	0.33
19	DYNAQUEST SDN. BHD.	1,000,000	0.30
20	LIM YAM KONG	790,000	0.24
21	ONG BEE LIAN	787,400	0.24
22	CHEONG YOU CHIN	774,600	0.23
23	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR ENG SU LIM	731,000	0.22
24	LIM TEAN KAU	690,000	0.21
25	NG FONG WAH	590,000	0.18
26	LOUIS EDWARD VAN BUERLE	546,800	0.17
27	KOAY HENG TEONG	516,900	0.16
28	YAP CHOO JOO @ YAP TSE LOO	500,000	0.15
29	LIM CHENG HAI	470,000	0.14
30	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIM CHEN YIK	445,000	0.13

Notes:

* *Negligible*

Exclude 1 Special Share which is not listed on the Main Market of Bursa Malaysia Securities Berhad and 272,900 Shares which are currently held as treasury shares.

a. *Exclude 1 Special Share which is not listed on the Main Market of Bursa Malaysia Securities Berhad.*

TOP 10 PROPERTIES OF THE GROUP

ITEM NO.	PROPERTY	LOT NO.	LOCATION (MUKIM, BANDAR/ DAERAH)	TYPE	TENURE	LAND AREA (HECTARE)	NET BOOK VALUE AS AT 31 DECEMBER 2021 RM'000
1	Sungai Dua Treatment Plant	2394 2395	11, SPU "	Treatment Plant	99 years "	1.441 13.149 14.590	126,448
2	Telok Bahang	695 PT1 15220 231 377 380 383 384 535 10001 381 389	1, DBD 2, DBD " " " " " " " " " " "	Pumphouse & Reservoir	In perpetuity " " " " " " " " " " 99 years "	7.662 1.449 5.670 0.052 0.991 0.405 2.076 0.628 2.458 0.316 0.376 0.086 22.169	22,101
3	Bukit Indera Muda Reservoir	927 928 1113 908 10001	3, SPT " 21, SPT 3, SPT "	Reservoir	99 years " " In perpetuity "	2.959 2.970 0.859 0.741 0.934 8.463	19,005
4	Jawi Reservoir	3235	5, SPS	Reservoir	In perpetuity	3.132	18,581
5	Rifle Range Road Workshop, Stores & Office	2105 2137 & 2138 726	Sect. 2, George Town, DTL	Workshop, Store Quarters & Office	99 years 97 years In perpetuity	2.066 0.859 0.304 3.229	17,385
6	Pulau Jerejak Reservoir & Pipeline	11255	Mk 13, DTL	Reservoir & Pipeline	In perpetuity	3.539	16,718

Top 10 Properties Of The Group (Cont'd)

ITEM NO.	PROPERTY	LOT NO.	LOCATION (MUKIM, BANDAR/ DAERAH)	TYPE	TENURE	LAND AREA (HECTARE)	NET BOOK VALUE AS AT 31 DECEMBER 2021 RM'000
7	Bukit Dumbar Reservoir	729 PT16 658 659 661	Sect. 4, Jelutong, DTL “ “	Reservoir	In perpetuity “ “ “ “	5.623 9.101 2.430 0.289 0.930 18.373	16,611
8	Batu Ferringhi Quarters, Bungalow & Treatment Plant	10018	17, DTL	Quarters & Treatment Plant	In perpetuity	9.188	16,237
9	Jawi Office & Store	PT534	11, SPS	Office/Store	99 years	6.992	12,180
10	Batu Kawan Reservoir	PT1452 PT1887	13, SPS “	Reservoir	99 years “	1.511 0.205 1.716	10,611

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-second (22nd) Annual General Meeting (“AGM”) of PBA Holdings Bhd. (“PBAHB” or the “Company”) will be held on a fully virtual basis via the Online Meeting Platform hosted on Securities Services e-Portal (“**SSeP**”) at <https://sshsb.net.my/> (Domain Registration No. with MyNIC Berhad: D4A004360) on Monday, 20 June 2022 at 10.00 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.

(Please refer to the Explanatory Note 1)

2. To approve the payment of a single tier final dividend of 1.00 sen per share in respect of the financial year ended 31 December 2021.

Resolution 1

(Please refer to Explanatory Note 2)

3. To re-elect the following Directors who are due to retire in accordance with the Company’s Constitution and being eligible, have offered themselves for re-election:

Regulation 121

- a) YB Dato’ Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman
- b) YB Tuan Zairil Khir Johari
- c) YB Tuan Muhammad Faiz Bin Fadzil
- d) YBhg. Dato’ Brian Tan Guan Hooi

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Regulation 119

- a) YB Dato’ Dr. Ahmad Jailani Bin Muhamed Yunus
- b) Cik Lim Kim Suan

Resolution 6

Resolution 7

(Please refer to Explanatory Note 3)

4. To approve the benefits payable to the Directors up to an amount of RM600,000.00 for the period from the conclusion of this AGM until the next AGM of the Company.

Resolution 8

(Please refer to Explanatory Note 4)

5. To appoint Messrs. KPMG PLT as Auditors of the Company in place of the retiring auditors, Messrs. Grant Thornton Malaysia PLT for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.

Resolution 9

(Please refer to Explanatory Note 5)

AS SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolutions, with or without modifications as Ordinary Resolutions:

6.1 Ordinary Resolution:

Proposed renewal of authority for the Company to undertake a share buy-back of up to 10% of its total issued share capital ("Proposed Renewal of Share Buy-Back Authority")

Resolution 10

"THAT, subject always to the Companies Act 2016 (the "Act"), the Company's Constitution, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised, to the fullest extent permitted by law to purchase such amount of ordinary shares in the Company ("PBAHB Shares") from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that:

- i) the aggregate number of PBAHB Shares which may be purchased and/or held by the Company shall not exceed ten per centum (10%) of the total number of issued shares of the Company including the shares previously purchased and retained as Treasury Shares (if any);
- ii) the maximum funds to be allocated by the Company for the purpose of purchasing its own shares under the Proposed Renewal of Share Buy-Back Authority shall not exceed the aggregate of retained profits of the Company based on the latest audited financial statements and/or the latest unaudited financial statements (where applicable) available at the time of the purchase, upon such terms and conditions as set out in the Statement to Shareholders dated 29 April 2022;

THAT the authority conferred by this resolution shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company following this AGM at which such resolution was passed at which time it will lapse unless by an ordinary resolution passed at that next AGM, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (c) the authority is revoked or varied by ordinary resolution passed by the shareholders in a general meeting,

Notice Of Annual General Meeting (Cont'd)

AS SPECIAL BUSINESS (CONT'D)

6. To consider and if thought fit, to pass the following resolutions, with or without modifications as Ordinary Resolutions (Cont'd):

6.1 **Ordinary Resolution (Cont'd):**

Proposed renewal of authority for the Company to undertake a share buy-back of up to 10% of its total issued share capital ("Proposed Renewal of Share Buy-Back Authority") (Cont'd)

Resolution 10

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of PBAHB Shares before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities;

THAT upon completion of the purchase(s) of the PBAHB Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the PBAHB Shares purchased in their absolute discretion, either to cancel PBAHB Shares so purchased or to retain PBAHB Shares so purchased as treasury shares of which may be distributed as dividends to shareholders and/or resold on the Bursa Securities and/or subsequently cancelled, or to retain part of PBAHB Shares so purchased as treasury shares and/or subsequently cancelled, or to retain part of PBAHB Shares so purchased as treasury shares and cancel the remainder and in any other manner as prescribed by the Act, the requirements of Bursa Securities and all other applicable laws, guidelines, rules and regulations issued by other relevant authority for the time being in force;

AND THAT the Board of Directors be and are hereby authorised to take all such steps as necessary or expedient to implement, finalise, complete or to give full effect to the above purchase(s) with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time or as the Board may in their discretion deem necessary and to do all such acts and things the Directors may deem fit and expedient in the best interest of the Company."

(Please refer to Explanatory Note 6.1)

AS SPECIAL BUSINESS (CONT'D)

6. To consider and if thought fit, to pass the following resolutions, with or without modifications as Ordinary Resolutions (Cont'd):

6.2 Ordinary Resolution:

Retention of YBhg. Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director of the Company Resolution 11

"THAT YBhg. Dato' Agatha Foo Tet Sin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years since 9 June 2009, be and is hereby retained as Senior Independent Non-Executive Director of the Company."

(Please refer to Explanatory Note 6.2)

7. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a single tier final dividend of 1.00 sen per share in respect of the financial year ended 31 December 2021 will be payable on 29 July 2022 to the Depositors who are registered in the Record of Depositors at the close of business on 15 July 2022, if approved by the members at the forthcoming 22nd AGM on 20 June 2022.

A Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.30 p.m. on 15 July 2022 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad ("Bursa Securities") on a cum entitlement basis according to the Rules of Bursa Securities.

By Order of the Board,

CHUA SIEW CHUAN (MAICSA 0777689) (SSM PC No. 201908002648)
THUM SOOK FUN (MIA 24701) (SSM PC No. 201908000139)
CHEW PECK KHENG (LS 0009559) (SSM PC No. 202008001118)
Companies Secretaries

Dated: 29 April 2022
Penang

Notice Of Annual General Meeting (Cont'd)

NOTES: -**Registration for Remote Participation and Voting (RPV) Facilities and Proxy Form**

- (i) As part of the initiatives and the safety measures to curb the spread of Coronavirus Disease 2019 (“**COVID-19**”), and having regard to the well-being and the safety of shareholders of the Company, the 22nd AGM will be conducted on a fully virtual basis via Remote Participation and Voting (“**RPV**”) facilities provided by SS E Solutions Sdn Bhd via SSeP at <https://sshsb.net.my/>. Please follow the procedures provided in the Administrative Guide for the 22nd AGM in order to register, participate and vote remotely via RPV facilities. The notice of the 22nd AGM of the Company, Form of Proxy, Administrative Guide for the 22nd AGM in the Company's Annual Report 2021 and the Statement to Shareholders dated 29 April 2022 can be downloaded at the Company's website at <https://pbahb.com.my/>

- (ii) According to the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers revised by the Securities Commission Malaysia (“**Revised Guidance Note and FAQs**”), an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the meeting online platform is registered with MyNIC Berhad or hosted in Malaysia.

By utilising the RPV facilities at SSeP (prior registration as a User is required), shareholders are to remotely attend, participate, speak (by way of posing questions to the Board via real time submission of typed texts) and cast their votes at the 22nd AGM. Please refer to the Administrative Guide for procedures to utilise the RPV facilities in order to participate and vote remotely at the 22nd AGM.

- (iii) As the 22nd AGM will be conducted via a fully virtual meeting, a member entitled to participate and vote at the meeting may appoint not more than two (2) proxies or the Chairman of the 22nd AGM as his/her proxy(ies) to participate and vote in his or her 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 appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
 - (c) A proxy appointed to attend, speak and vote at the meeting shall have the same right as the member to speak at the meeting.

As guided by the Securities Commission Malaysia's Revised Guidance Note and FAQs, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the 22nd AGM via real time submission of typed texts through a text box within SSeP's platform during the live streaming of the 22nd AGM as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the 22nd AGM. The questions and/or remarks submitted by the shareholders and/or proxies will be responded by the Chairman/Board/Management during the 22nd AGM.

- (iv) 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.



Notice Of Annual General Meeting (Cont'd)

- (v) *Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.*
- (vi) *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.*
- (vii) *Where a member or the authorised nominee or EAN appoints two (2) proxies, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy specified in the instrument appointing the proxies.*
- (viii) *The appointment of proxy(ies) may be made in hardcopy form or by electronic means as follows:*
 - (a) *In Hardcopy Form*

The instrument appointing a proxy or representative and the duly registered power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang.
 - (b) *By SSeP*

The Form of Proxy may also be lodged electronically via SSeP at <https://sshsb.net.my/>

(Please refer to the Administrative Guide for the 22nd AGM for more details)

in either case, not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
- (ix) *The Company shall be entitled to reject an instrument of proxy which 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.*
- (x) *In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2022 (General Meeting Record of Depositors) shall be eligible to participate, speak and vote at the meeting or appoint proxy(ies) to participate, speak and vote on his/her behalf.*
- (xi) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this notice will be put to vote by way of a poll.*

Notice Of Annual General Meeting (Cont'd)

Explanatory Notes to Ordinary Business:**1. Audited Financial Statements for the financial year ended 31 December 2021**

This Agenda item is meant for discussion only, as Section 340(1)(a) of the Act does not require a formal approval of the members/shareholders for the Audited Financial Statements. Therefore, this Agenda is not put forward for voting.

2. Declaration of a single tier final dividend for the year ended 31 December 2021

In accordance with Regulation 158 of the Company's Constitution, the Company in a general meeting may declare dividends, but no dividend shall be payable except out of profits of the Company and recommended by the Directors. On 22 February 2022, the Board had recommended a final dividend to be paid to its shareholders subject to the approval of the shareholders at the 22nd AGM of the Company.

Pursuant to Paragraph 8.26 of the Listing Requirements, the single tier final dividend, if approved, shall be paid not later than three (3) months from the date of the shareholders' approval.

3. Re-election of Directors

Regulation 121 of the Company's Constitution states that one-third (1/3) of the Directors shall retire from office and shall be eligible for re-election at each AGM. All Directors shall retire from office at least once in each three (3) years but shall be eligible for re-election.

Regulation 119 of the Company's Constitution states that any Director who is appointed either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the next AGM and shall be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

In determining the eligibility of the Directors to stand for re-election at the 22nd AGM, the Nomination and Remuneration Committee ("NRC") has considered the following: -

- (i) Evaluation on the effectiveness of the Directors, the Board as a whole and all Board Committees; and
- (ii) For Independent Non-Executive Directors ("INEDs") only, the level of independence demonstrated by the INEDs and their ability to act in the best interest of the Company.

The Board (save for the retiring Directors who had abstained from deliberation and voting) accepted the NRC's recommendation that the Directors who retire in accordance with Regulations 121 and 119 of the Company's Constitution are eligible to stand for re-election.

4. Payment of Benefits Payable to the Directors

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

Under Ordinary Resolution 8, the benefits payable to the Directors pursuant to Section 230(1)(b) of the Act have been reviewed by the Board of Directors of the Company, which recognises that the benefits payable is in the best interest of the Company for the period from the conclusion of this AGM until the next AGM. The benefits comprise of allowances, benefits in kind and the meeting allowance, which will only be accorded based on actual attendance of meetings by the Directors.

In this respect, the Board wishes to seek shareholders' approval for the benefits payable to the Directors up to an amount of RM600,000.00 for the period from the conclusion of this AGM until the next AGM, details of which are as follows:

Description	Chairman		Deputy Chairman		Directors	
	Company RM	Subsidiaries RM	Company RM	Subsidiaries RM	Company RM	Subsidiaries RM
Monthly fixed allowances	3,000	3,000	1,500	1,500	1,000 – 1,500	1,000
Meeting allowance (per meeting)						
a) Chairman	300	300	300	300	300	300
b) Deputy Chairman	300	300	300	300	300	300
c) Board Members	300	300	300	300	300	300
d) Board Committee Members	300	300	300	300	300	300
Other Claimable Benefits	Business travel and accommodation, communication, medical coverage and other claimable benefits.					

Payment of benefits to the Directors will be made by the Company and its subsidiary on a monthly basis and/or as and when incurred if the proposed Resolution 8 has been passed at the forthcoming 22nd AGM.

5. Appointment of Auditors

The Company's existing Auditors, Messrs. Grant Thornton Malaysia PLT who has been acting as the Company's Auditors for 9 consecutive years since 2013, retire at the conclusion of the forthcoming 22nd AGM.

In line with good corporate governance practice and with the recommendation of the ARMC, the Board wishes to seek the shareholders' approval at the forthcoming 22nd AGM to appoint Messrs. KPMG PLT as Auditors of the Company in place of the retiring auditors Messrs. Grant Thornton Malaysia PLT for the financial year ending 31 December 2022 at a remuneration to be fixed by the Directors.

Messrs. KPMG PLT has given their consent to act as the Auditors of the Company.

Notice Of Annual General Meeting (Cont'd)

EXPLANATORY NOTES TO SPECIAL BUSINESS**6.1 Proposed Renewal of Share Buy-Back Authority**

The proposed adoption of Resolution 10 is to renew the authority granted by the shareholders of the Company at the 21st AGM held on 22 June 2021 to allow the Company to purchase its own shares up to a maximum of 10% of the issued shares of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM of the Company, or the expiration of period within which the next AGM is required by law to be held, whichever is earlier.

For further information, please refer to Statement to Shareholders dated 29 April 2022, which can be downloaded at the Company's website at <https://pbahb.com.my/>

6.2 Retention of YBhg. Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director of the Company

YBhg. Dato' Agatha Foo Tet Sin ("Dato' Agatha Foo") was appointed as an Independent Non-Executive Director of the Company on 9 June 2009 and has served the Board for a cumulative term of more than twelve (12) years from 9 June 2009 onwards. The Board of Directors of the Company, through its NRC, after having assessed the independence of Dato' Agatha Foo, still regards her to be independent based amongst others, the following justifications, and recommends that Dato' Agatha Foo be retained as an Independent Director of the Company subject to the approval from the shareholders of the Company:

- she has confirmed and declared in writing that she is an Independent Director and has satisfied all the criteria of an Independent Director set out in Paragraph 1.01 of the Listing Requirements.;
- has not been involved in any business or other relationship which could hinder the exercise of independent judgement, objectivity or her ability to act in the best interests of the Company;
- has no potential conflict of interest, whether business or non-business related with the Company;
- has not established or maintained any significant personal or social relationship, whether direct or indirect, with the Group Chief Executive Officer, major shareholders or management of the Company (including their family members) other than normal engagements and interactions on a professional level consistent with her duties and expected of her to carry out her duties as an independent director; and
- does not derive any remuneration apart from benefits comprise of allowances, benefits in kind and meeting allowance that are approved by shareholders.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming 22nd AGM of the Company 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE LISTING REQUIREMENTS)

As at the date of this notice, there are no individuals who are standing for election as Directors (excluding the above Directors who are standing for re-election or re-appointment) at this forthcoming 22nd AGM.

ADMINISTRATIVE GUIDE

TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

Date : Monday, 20 June 2022

Time : 10.00 a.m.

Online Meeting Platform: Securities Services e-Portal ("SSeP") at <https://sshbsb.net.my/>

REMOTE PARTICIPATION AND VOTING FACILITIES ("RPV")

Members are to attend, speak (including posting questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 22nd AGM using RPV provided by SS E Solutions Sdn. Bhd. via its Securities Services e-Portal ("SSeP") at <https://sshbsb.net.my/>

Members who appoint proxies to participate via RPV in the 22nd AGM must ensure that the duly executed Proxy Form or other instruments of appointment are deposited at the Company's Registered Office at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang or by electronic lodgement via SSeP at <https://sshbsb.net.my/> not later than Saturday, 18 June 2022 at 10:00 a.m.

Corporate representatives of corporate members must deposit their original or duly certified certificate of appointment of corporate representative at the Company's registered office not later than Saturday, 18 June 2022 at 10:00 a.m. to participate via RPV in the 22nd AGM.

Attorneys appointed by power of attorney are to deposit their power of attorney at the Company's Registered Office no later than Saturday, 18 June 2022 at 10:00 a.m. to participate in the 22nd AGM.

A member who has appointed a proxy or attorney or authorised representative to participate at the 22nd AGM via RPV must request his/her proxy to register as "USER" of Securities Services e-Portal at <https://sshbsb.net.my/> on or before 14 June 2022, if his/her proxy is not registered User of the e-portal.

As the 22nd AGM of PBAHB is a fully virtual meeting, members who are unable to participate in this AGM may appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

PROCEDURES FOR REMOTE PARTICIPATION AND VOTING VIA RPV FACILITIES

Members/proxies/corporate representatives/attorneys who wish to participate in the 22nd AGM remotely using the RPV are to follow the requirements and procedures as stated in the the Administrative Guide for the Securities Services e-Portal as annexed hereto.

NO DOOR GIFT/ FOOD VOUCHER

There will be **no distribution of door gifts or food vouchers** for the 22nd AGM as the meeting is conducted on a fully virtual basis. We would like to thank our members for your kind cooperation and understanding during these challenging times.

ADMINISTRATIVE GUIDE (CONT'D)

TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

GENERAL MEETING RECORD OF DEPOSITORS ("ROD")

Only a depositor whose name appears on the **ROD as at 13 June 2022** shall be entitled to attend, speak and vote at the 22nd AGM or appoint proxies to attend and/or vote on his/her behalf.

APPOINTMENT OF PROXY/ CORPORATE REPRESENTATIVES/ ATTORNEYS

- The 22nd AGM will be conducted via virtual meeting, if you are unable to attend the meeting via RPV on 20 June 2022, you may appoint the Chairman of the meeting as proxy and indicate the voting instructions in the Proxy Form.
- Accordingly, Proxy Form and/or document relating to the appointment of proxy/corporate representative/attorney for the 22nd AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than 18 June 2022 at 10:00 a.m.:

(i) **In Hard Copy:**

By hand or post to the Company's Registered Office at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang not less than forty-eight (48) hours before the time appointed for holding the 22nd AGM or any adjournment thereof, otherwise the Proxy Form shall not be treated as valid.

(ii) **By Electronic Form:**

All members can have the option to submit Proxy Form electronically via SSeP Online at <https://sshsb.net.my/> and you may refer to the details as stated in the Administrative Guide for the Securities Services e-Portal as annexed hereto.

COMMUNICATION GUIDANCE

Members are advised to check the Company's website at <https://pbahb.com.my/> and announcements from time to time for any changes to the administration of the 22nd AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

ENQUIRY

If you have any enquiries on the above, please contact the following persons during office hours on Mondays to Fridays from 9.00 a.m. to 5.00 p.m. (except on public holidays):

PBA Holdings Bhd.

Level 32, KOMTAR

Jalan Penang,

10000 George Town, Pulau Pinang.

Telephone Number : 604-2006 700

Fax Number : 604-2006 704

Contact person : Dr. Mary Ann Harris, Chief Financial Officer

ADMINISTRATIVE GUIDE (CONT'D) TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

SECURITIES SERVICES e-PORTAL

WHAT IS Securities Services e-Portal?

Securities Services e-Portal is an online platform that will allow both individual shareholders and body corporate shareholders through their appointed representatives, to -

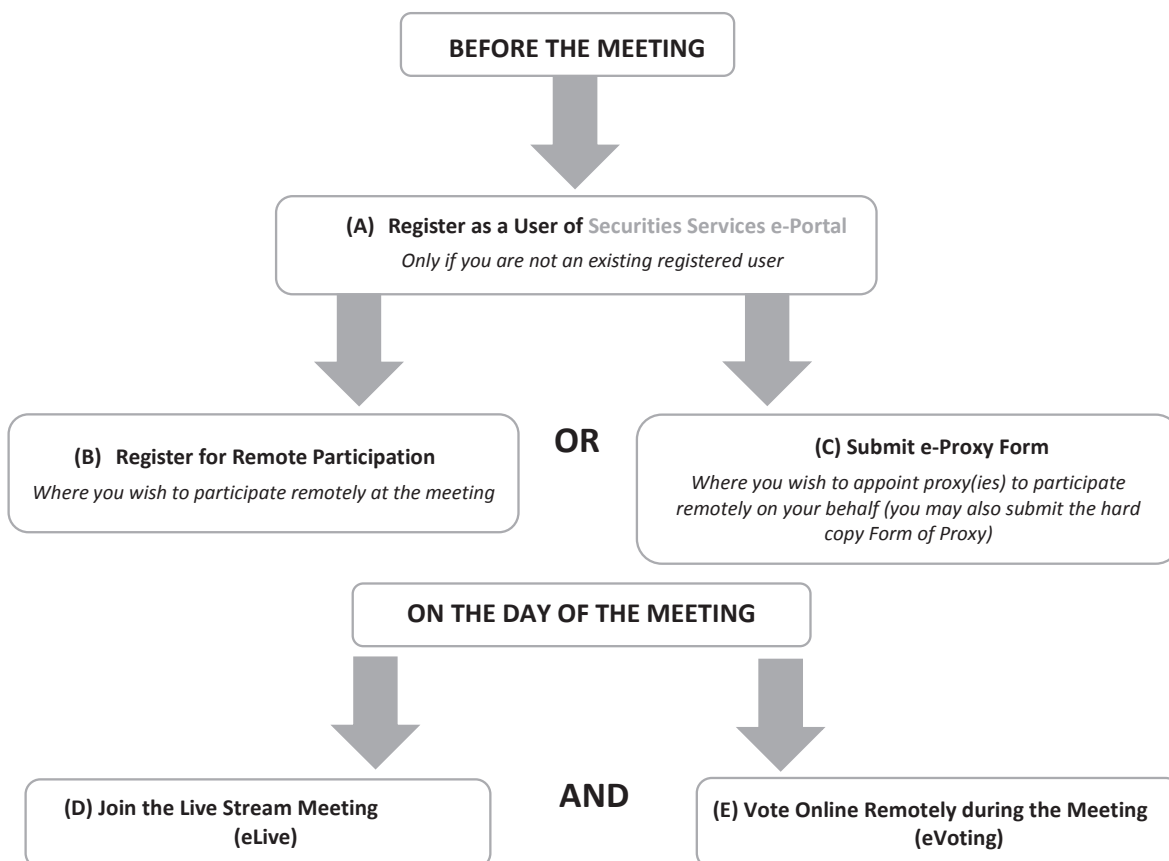
- Submit Form of Proxy electronically – paperless submission
- Register for remote participation and voting at meetings
- Participate in meetings remotely via live streaming
- Vote online remotely on resolution(s) tabled at meetings (referred to as "e-Services")

The usage of the e-Portal is dependent on the engagement of the relevant e-Services by PBA Holdings Bhd. and is by no means a guarantee of availability of use, unless we are so engaged to provide. **All users are to read, agree and abide to all the Terms and Conditions of Use and Privacy Policy as required throughout the e-Portal.**

Please note that the e-Portal is best viewed on the latest versions of Chrome, Firefox, Edge and Safari.

REQUIRE ASSISTANCE?

Please contact the officers at our general line (Tel: +604 263 1966) to request for e-Services Assistance during our office hours on Monday to Friday from 9.00 a.m. to 12.30 p.m. and from 1.30 p.m. to 5.30 p.m. excluding public holiday. Alternatively, you may email us at eservices@sshsb.com.my:



ADMINISTRATIVE GUIDE (CONT'D)

TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

BEFORE THE MEETING

(A) Register as a User of Securities Services e-Portal	
Step 1 Visit https://sshsb.net.my/ Step 2 Register as a user Step 3 Wait for our notification email that will be sent within one (1) working day Step 4 Verify your user account within seven (7) days of the notification email and log in	- We require 1 working day to process all user sign-ups. If you do not have a user account with the e-Portal, you will need to sign up for a user account by the deadlines stipulated below. - Your registered email address is your User ID.
To register for the meeting under (B) below, please sign up for a user account by 14 JUNE 2022. This is a ONE-TIME registration only. If you already have a user account, please proceed to (B) below.	

(B) Register for Remote Participation	
Meeting Date and Time	Registration for Remote Participation Closing Date and Time
Monday, 20 June 2022 at 10.00 a.m.	Saturday, 18 June 2022 at 10.00 a.m.
➤ Log in to https://sshsb.net.my/ with your registered email and password ➤ Look for PBA Holdings Bhd. under Company Name and 22nd AGM on 20 June 2022 at 10.00 a.m. – Registration for Remote Participation under Corporate Exercise / Event and click ">" to register for remote participation at the meeting.	
Step 1 Check if you are attending as – - Individual shareholder - Corporate or authorised representative of a body corporate <i>For body corporates, the appointed corporate/authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The <u>original</u> evidence of authority and translation thereof, if required, have to be submitted to PBA Holdings Bhd. at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang for verification before the registration closing date and time above.</i> Step 2 Submit your registration.	
- All shareholders must register for remote participation at the meeting and are highly encouraged to register as early as possible and before the eLive access date and time [see (C) below] in order to ensure timely access to the meeting. Access shall be granted only to eligible shareholders in accordance with the General Meeting Record of Depositors as at 13 June 2022. - A copy of your e-Registration for remote participation can be accessed via My Records (refer to the left navigation panel). - Your registration will apply to all the CDS account(s) of each individual shareholder / body corporate shareholder that you represent. If you are both an individual shareholder and representative of body corporate(s), you need to register as an individual and also as a representative for each body corporate. - As the meeting will be conducted on a fully virtual basis, we highly encourage all shareholders to remotely participate and vote at the meeting, failing which, please appoint the Chairman of the meeting as proxy or your own proxy(ies) to represent you.	

ADMINISTRATIVE GUIDE (CONT'D)

TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

(C) Submit e-Proxy Form	
Meeting Date and Time	Form of Proxy Submission Closing Date and Time
Monday, 20 June 2022 at 10.00 a.m.	Saturday, 18 June 2022 at 10.00 a.m.
➤ Log in to https://sshsb.net.my/ with your registered email and password. ➤ Look for PBA Holdings Bhd. under Company Name and 22nd AGM on 20 June 2022 at 10.00 a.m. – Submission of Proxy Form under Corporate Exercise / Event and click ">" to submit your Form of Proxy online for the meeting by the submission closing date and time above.	
Step 1 Check if you are submitting the Form of Proxy as – - Individual shareholder - Corporate or authorised representative of a body corporate <i>For body corporates, the appointed corporate / authorised representative has to upload the evidence of authority (e.g. Certificate of Appointment of Corporate Representative, Power of Attorney, letter of authority or other documents proving authority). All documents that are not in English or Bahasa Malaysia have to be accompanied by a certified translation in English in 1 file. The <u>original</u> evidence of authority and translation thereof, if required, have to be submitted to PBA Holdings Bhd. at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang for verification before the Form of Proxy submission closing date and time above.</i> Step 2 Enter your CDS account number or the body corporate's CDS account number. Then enter the information of your proxy(ies) and the proportion of your securities to be represented by your proxy(ies). You are strongly encouraged to appoint the Chairman of the meeting as your proxy where you are not able to participate remotely. Step 3 Proceed to indicate how your votes are to be casted against each resolution. Step 4 Review and confirm your Form of Proxy details before submission. - A copy of your submitted e-Proxy Form can be accessed via My Records (refer to the left navigation panel). - You need to submit your e-Proxy Form for <u>every CDS account(s)</u> you have or represent.	
PROXIES All appointed proxies need not register for remote participation under (B) above but if they are not registered Users of the e-Portal, they will need to register as Users of the e-Portal under (A) above by 14 June 2022. PLEASE NOTIFY YOUR PROXY(IES) ACCORDINGLY. Upon processing the Form of Proxy, we will grant the proxy access to remote participation at the meeting to which he/she is appointed for instead of the shareholder, <u>provided the proxy must be a registered user of the e-Portal</u>, failing which, the proxy will not be able to participate at the meeting as the meeting will be conducted on a fully virtual basis.	

ADMINISTRATIVE GUIDE (CONT'D)

TWENTY-SECOND ANNUAL GENERAL MEETING ("22ND AGM") OF PBA HOLDINGS BHD

ON THE DAY OF THE MEETING

Log in to https://sshsb.net.my/ with your registered email and password	
(D) Join the Live Stream Meeting (eLive)	
Meeting Date and Time	eLive Access Date and Time
Monday, 20 June 2022 at 10.00 a.m.	Monday, 20 June 2022 at 9.30 a.m.
➤ Look for PBA Holdings Bhd. under Company Name and 22nd AGM on 20 June 2022 at 10.00 a.m. – Live Stream Meeting under Corporate Exercise / Event and click ">" to join the meeting. - The access to the live stream meeting will open on the abovementioned date and time. - If you have any questions to raise, you may use the text box to transmit your question. The Chairman/Board/Management/relevant adviser(s) will endeavour to broadcast your question and their answer during the meeting. Do take note that the quality of the live streaming is dependent on the stability of the internet connection at the location of the user.	
(E) Vote Online Remotely during the Meeting (eVoting)	
Meeting Date and Time	eVoting Access Date and Time
Monday, 20 June 2022 at 10.00 a.m.	Monday, 20 June 2022 at 10.00 a.m.
➤ If you are already accessing the Live Stream Meeting, click Proceed to Vote under the live stream player. OR ➤ If you are not accessing from the Live Stream Meeting and have just logged in to the e-Portal, look for PBA Holdings Bhd. under Company Name and 22nd AGM on 20 June 2022 at 10.00 a.m. – Remote Voting under Corporate Exercise / Event and click ">" to remotely cast and submit the votes online for the resolutions tabled at the meeting. Step 1 Cast your votes by clicking on the radio buttons against each resolution. Step 2 Review your casted votes and confirm and submit the votes. - The access to eVoting will open on the abovementioned date and time. - Your votes casted will apply throughout <u>all</u> the CDS accounts you represent as an individual shareholder, corporate / authorised representative and proxy. Where you are attending as a proxy, and the shareholder who appointed you has indicated how the votes are to be casted, we will take the shareholder's indicated votes in the Form of Proxy. - The access to eVoting will close as directed by the Chairman of the meeting. - A copy of your submitted e-Voting can be accessed via My Records (refer to the left navigation panel).	



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Number of shares held	
CDS Account no.	

I/We _____ (Tel:) _____ NRIC/ Passport No.: _____
(Full Name in Capital Letters) (please provide contact number for better co-ordination)
of _____
(Full address in Capital Letters)

being a member/members of **PBA HOLDINGS BHD.** ("the Company") hereby appoint the following person(s): -

First Proxy			
Full Name in Capital Letters	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%

And (if more than one (1) proxy)

Second Proxy			
Full Name in Capital Letters	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%

or failing *him/her, the Chairman of the meeting, as *my/our proxy to vote in *my/our name(s) on *my/our behalf at the Twenty-second Annual General Meeting ("22nd AGM") of the Company to be held on a fully virtual basis via the Online Meeting Platform hosted on Securities Services e-Portal ("**SSeP**") at <https://sssb.net.my/> on Monday, 20 June 2022 at 10.00 a.m. and at any adjournment thereof.

*My/our proxy is to vote on the resolutions referred to in the Notice of 22nd AGM as indicated below: -

ORDINARY BUSINESS:		First Proxy		Second Proxy	
		For	Against	For	Against
Resolution 1	To approve the declaration of a single tier final dividend				
Resolution 2	To re-elect YB Dato' Ir. Haji Ahmad Zaki Yuddin Bin Abd Rahman as Director				
Resolution 3	To re-elect YB Tuan Zairil Khir Johari as Director				
Resolution 4	To re-elect YB Tuan Muhammad Faiz Bin Fadzil as Director				
Resolution 5	To re-elect YBhg. Dato' Brian Tan Guan Hooi as Director				
Resolution 6	To re-elect YB Dato' Dr. Ahmad Jailani Bin Muhamed Yunus as Director				
Resolution 7	To re-elect as Cik Lim Kim Suan as Director				
Resolution 8	To approve the benefits payable to the Directors				
Resolution 9	To appoint Messrs. KPMG PLT as auditors for the financial year ending 31 December 2022				
SPECIAL BUSINESS:					
Resolution 10	Ordinary Resolution – Proposed Renewal of Share Buy-Back Authority				
Resolution 11	Ordinary Resolution – Retention of YBhg. Dato' Agatha Foo Tet Sin as an Independent Non-Executive Director of the Company				

* Strike out whichever not applicable.

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

Note : Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the **Notice of 22nd AGM** for the full purpose and intent of the Resolutions to be passed.

Dated this _____ day of _____, 2022.

Signature of Shareholder/Common Seal

Notes:

- (i) As part of the initiatives and the safety measures to curb the spread of Coronavirus Disease 2019 ("COVID-19"), and having regard to the well-being and the safety of shareholders of the Company, the 22nd AGM will be conducted on a fully virtual basis via Remote Participation and Voting ("RPV") facilities provided by SS E Solutions Sdn Bhd via SSeP at <https://sshsb.net.my/>. Please follow the procedures provided in the Administrative Guide for the 22nd AGM in order to register, participate and vote remotely via RPV facilities. The notice of the 22nd AGM of the Company, Form of Proxy, Administrative Guide for the 22nd AGM in the Company's Annual Report 2021 and the Statement to Shareholders dated 29 April 2022 can be downloaded at the Company's website at <https://pbahb.com.my/>.
- (ii) According to the Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers revised by the Securities Commission Malaysia ("Revised Guidance Note and FAQs"), an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Act provided that the meeting online platform is registered with MyNIC Berhad or hosted in Malaysia.
- By utilising the RPV facilities at SSeP (prior registration as a User is required), shareholders are to remotely attend, participate, speak (by way of posing questions to the Board via real time submission of typed texts) and cast their votes at the 22nd AGM. Please refer to the Administrative Guide for procedures to utilise the RPV facilities in order to participate and vote remotely at the 22nd AGM.
- (iii) As the 22nd AGM will be conducted via a fully virtual meeting, a member entitled to participate and vote at the meeting may appoint not more than two (2) proxies or the Chairman of the 22nd AGM as his/her proxy(ies) to participate and vote in his or her 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 appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (c) A proxy appointed to attend, speak and vote at the meeting shall have the same right as the member to speak at the meeting.
- As guided by the Securities Commission Malaysia's Revised Guidance Note and FAQs, the right to speak is not limited to verbal communication only but includes other modes of expression. Therefore, all shareholders and proxies shall communicate with the main venue of the 22nd AGM via real time submission of typed texts through a text box within SSeP's platform during the live streaming of the 22nd AGM as the primary mode of communication. In the event of any technical glitch in this primary mode of communication, shareholders and proxies may email their questions to eservices@sshsb.com.my during the 22nd AGM. The questions and/or remarks submitted by the shareholders and/or proxies will be responded by the Chairman/Board/Management during the 22nd AGM.

Please fold across the line and close

stamp

The Company Secretary
PBA Holdings Bhd.
200001012513 (515119-U)

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

Please fold across the line and close

- (iv) 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.
- (v) Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds which is credited with ordinary shares of the Company.
- (vi) 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.
- (vii) Where a member or the authorised nominee or EAN appoints two (2) proxies, the appointment shall be invalid unless the proportion of shareholdings to be represented by each proxy specified in the instrument appointing the proxies.
- (viii) The appointment of proxy(ies) may be made in hardcopy form or by electronic means as follows:
- (a) In Hardcopy Form
The instrument appointing a proxy or representative and the duly registered power of attorney or other authority (if any), under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Registered Office of the Company at Level 32, KOMTAR, Jalan Penang, 10000 George Town, Pulau Pinang.
- (b) By SSeP
The Form of Proxy may also be lodged electronically via SSeP at <https://sshsb.net.my/>
(Please refer to the Administrative Guide for the 22nd AGM for more details)
in either case, not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
- (ix) The Company shall be entitled to reject an instrument of proxy which 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.
- (x) In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2022 (General Meeting Record of Depositors) shall be eligible to participate, speak and vote at the meeting or appoint proxy(ies) to participate, speak and vote on his/her behalf.
- (xi) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in this notice will be put to vote by way of a poll.
- (xii) Any alteration in this form must be initialed.

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Online payment of Penang water bills, now with
NO EXTRA CHARGES.



Penang water consumers may now pay their water bills via the **“myPBA”** mobile app or **“myPBA web portal”** (which is accessible via web browsers) without any additional transaction charges.

PBAPP is absorbing the transaction charge that was previously paid by water consumers. PBAPP's primary objective for absorbing the transaction charge is to encourage as many water consumers as possible to settle their water bills online. In view of the Covid-19 pandemic, we encourage online water bill payment as the best and safest option for everyone.

“myPBA” mobile app : Download from Apple App Store/Google Play Store

“myPBA web portal” : <https://mypbaportal.pba.com.my>





PWSA
**PENANG WATER
SERVICES ACADEMY**
Meeting Your Training Needs

We specialise in
Sustainable Water Supply Management
training for the developing world.



Sustainable water supply management solutions for developing countries should be based on the needs, environment and mindset of developing countries.

The Penang Water Services Academy (PWSA) was set up in 2007 by the PBAHB Group of Companies, which has been meeting all the water supply needs of Penang. As a Malaysian academy, we understand the challenge of walking the thin line between the long-term availability of water and its affordability.

The training that we provide is based on our hands-on experiences in Malaysia, China and Indonesia. We can help train your employees to implement sustainable water supply management technologies, methodologies and programmes that are suited to your local environment.

