

PBA HOLDINGS BHD (515119-U)
(Incorporated in Malaysia)

Summary of Key Matters discussed during the 18th AGM on 28/6/2018.

The 18th Annual General Meeting (AGM) of PBA Holdings Bhd (“the Company” or “PBAHB”) was held at the Hotel Jen Penang, Malaysia, from 10.00 a.m. on Thursday, 28 June 2018.

Attendees:

- The Chairman and all Members of the Board of Directors.
- The Chief Executive Officer and the Management Team.
- The Company Secretary.
- Representatives from Messrs. Grant Thornton (External Auditors).
- Shareholders/Proxies/Authorised Representatives/Invitees and Others (as per the attendance list).

AGENDA 1

TO RECEIVE THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017, TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Company’s Audited Financial Statements for the year ended 31 December 2017, together with the Reports of Directors and Auditors, were tabled at the Meeting, in compliance with Section 340(1) of the Companies Act 2016 (“Act”).

It was noted that the Company had received a letter from the Minority Shareholders Watchdog Group (“MSWG”) on 22 June 2018, which raised questions in relation to the “Strategic and Financial Matters” as well as “Corporate Governance Matters”. The following table lists the questions, as well as summaries of the answers provided by the Company, as read out by the **Chairman, YAB Tuan Chow Kon Yeow** during the AGM:

MSWG Question	
A	Strategic and Financial Matters
1	With reference to the Chairman’s Message on page 13 of the Annual Report: In 2017, the National Water Services Commission (SPAN) did not approve Perbadanan Bekalan Air Pulau Pinang Sdn Bhd’s application for a review of Penang’s Water Conservation Surcharge (WCS) from RM0.48 per 1,000 litres to RM1.00 per 1,000 litres. Does the Company have any plans to appeal?

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PBAHB Answer					
	<ul style="list-style-type: none"> • PBAPP’s application for the WCS review is <u>pending approval from SPAN</u>. The application has not been rejected. That said, approval has been delayed by more than one year, since PBAPP’s initial submission on 28 April 2017. • Today, with a new “Pakatan Harapan” Federal Government in Putrajaya. The Company is looking forward to a more effective, efficient and dynamic Federal Government administration. • However, a new KeTTHA Minister has not been appointed yet, to head the Ministry of Energy, Green Technology and Water. As and when he or she is appointed, the Company hopes that the new KeTTHA Minister will expedite the approval of WCS review. • Please note that the WCS is a “water conservation surcharge” that is applicable only to domestic water consumption above 35,000 litres per month. • The WCS does not affect 77% of domestic water consumers in Penang who used less than 35,000 litres of water per month. The WCS also does not affect trade consumers. • As such, PBAPP’s WCS review will only affect 23% of domestic water consumers in Penang who use more than 35,000 litres of water per month. It is a domestic water demand management tool, aimed at reducing domestic water consumption in Penang. 				
MSWG Question					
A	Strategic and Financial Matters				
2	<p>We note on page 175 of the Annual Report that the capital commitments of the Group for 2017 were as follows:</p> <table border="1" data-bbox="379 1731 1270 1818"> <tr> <td>Contracted but not provided for</td> <td>RM 50.7 million</td> </tr> <tr> <td>Authorised but not contracted for</td> <td>RM159.0 million</td> </tr> </table> <p>What is the nature of the abovementioned capital commitments?</p>	Contracted but not provided for	RM 50.7 million	Authorised but not contracted for	RM159.0 million
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PBAHB Answer

- **These capital commitments refer primarily to commitments for key water supply infrastructure projects in Penang. These projects are necessary to ensure continuous good water supply and “no water rationing”.**
- **Please note that Penang’s water demand increased by 11.0% in the period 2008 to 2017. The Company expects water demand to increase further in the future.**
- **Development projects that are being undertaken by PBAPP include:**

- a) **Package 3 of the Butterworth-Penang Submarine Pipeline Project to lay 3.2km of twin submarine pipelines from Butterworth to the Macallum Area on Penang Island. This submarine pipeline project will increase our capacity to deliver treated water from the Sungai Dua Water Treatment Plant in Seberang Prai to the Bukit Dumbar Reservoir and Pumping Station Complex Penang Island.**

From Bukit Dumbar, the treated water is pumped to the fast-growing southern areas of the island, including the Bayan Lepas Free Trade Zones and the Penang International Airport.

- b) **Upgrading works in all PBAPP water treatment plants on Penang Island and Seberang Prai. These upgrading works are necessary to maintain or enhance the performance of our water treatment facilities.**
- c) **Laying up to 40km of new pipelines, 100mm and above, on Seberang Prai and Penang Island, to sustain 100% urban and 99.8% rural water supply coverage in Penang.**

These new pipelines will help to ensure water supply sufficiency to high growth areas throughout the state, in the future. Water supply is an important prerequisite for socioeconomic growth.

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MSWG Question	
A	Strategic and Financial Matters
3	<p>Under Note 29.4.1 on page 179, trade receivables that are past due more than 365 days amounting to approximately RM6.4 million (2016: RM5.5 million) have not been impaired.</p> <p>(i) To date, how much of the RM6.4 million of trade receivables have been collected by the Company?</p> <p>(ii) Would it be more prudent to impair the said amount as it has been outstanding for more than a year?</p>
PBAHB Answer	
<ul style="list-style-type: none"> • As at 31 May 2018, the Company has collected approximately RM1.1 million of the RM6.4 million in trade receivables mentioned under Note 29.4.1. The Company is striving to collect more. • The Company normally impair amounts that are outstanding for more than 2 years. 	

MSWG Question	
A	Strategic and Financial Matters
4	<p>In relation to the Group's material litigation under Note 32 on page 184 of the Annual Report, PBAHB's subsidiary shall pay RM1.0 million to Prominent Multimedia Sdn Bhd (PMSB) as ex-gratia payment.</p> <p>What is the basis in arriving at a RM1 million payment of ex-gratia to PMSB given that the firm has failed to complete the implementation of the said project within the timeframe agreed in the contract?</p>
PBAHB Answer	
<ul style="list-style-type: none"> • As stated in the second paragraph of Note 32 on page 184, PMSB had originally issued a Note of Arbitration, referring the matter to the Kuala Lumpur Regional Centre for Arbitration, seeking to claim RM10.444 million for "wrongful termination" of their contract. • PBAPP, on its part, made a counter claim of RM10.517 million against PMSB. 	

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- **Based on legal advice and feedback from our lawyers, the Company decided to offer a settlement of RM1.0 million to settle the issue. PMSB accepted the settlement, and this matter has been settled amicably.**
- **The settlement amount is equivalent to less than one-tenth of PMSB's original claim. It is a prudent measure to save time and money, in view of the possibility that this case may subsequently be referred to the courts.**

MSWG Question

B	Corporate Governance Matters
1	We note that YAB Tuan Chow Kon Yeow had only attended 3 out of 5 Board meetings during the financial year. Similarly, YB Dato' Sarul Bahiyah binti Abu, who was appointed as a Member of the Audit Committee, with effect from 27/2/2017, has only attended 2 out of the 5 Audit Committee meetings. What were the reasons for the Directors not being able to attend the Board and Audit Committee meetings during the financial year?

PBAHB Answer

- **YAB Tuan Chow Kon Yeow was abroad on 27 February 2017 and 9 April 2017, due to official work commitments on behalf the Penang State Government. As such, he was not able to attend 2 board meetings last year.**
- **YB Sarul Bahiyah binti Abu was absent and was only able to attend 2 out of 5 Audit and Risk Management Committee meetings due to prior commitments to Penang State Assembly and Penang State Executive Council meetings.**

MSWG Question

B	Corporate Governance Matters
2	Practice 4.7 of the MCCG requires the Nomination Committee to be chaired by an Independent Director or Senior Independent Director. We note the Company's explanation on its departure in its Corporate Governance Report (page 26). Please explain why an Independent Director of the Company is not chosen to become the Nomination Committee Chairman?

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PBAHB Answer
<ul style="list-style-type: none"> • The Chairman of the Nomination and Remuneration Committee (NRC) is YB Prof. Dr. P. Ramasamy a/l Palanisamy, who is a Non-Independent and Non-Executive Director of the Company. • He chairs the NRC on grounds that he also serves as the Chairman of the Establishment Committee (EC) of PBAHB’s key subsidiary, PBAPP, and he is familiar with the staffing issues in the Group. • The Board of Directors has considered the MCCG and decided to nominate YB Prof. Dr. Ramasamy as the Chairman of the NRC. Therefore, the Board is satisfied with the composition of the NRC and is confident that Committee discharges its functions efficiently and effectively, with respect to the nomination and remuneration matters.

The below were additional matters raised by other shareholders and the MSWG, alongside responses from the Board/Management: -

Key matter raised by the shareholders	Response from the Board/ Management
1) The objective of the Company between profit maximization and corporate social responsibility.	<p>The Company reasoned that while it has a responsibility to maximize corporate profits and “shareholder value”, the Company also recognized its social obligation towards society, due to the fact that water is a basic need of people and access to water is a fundamental human right.</p> <p>Nevertheless, the Company will strive to balance its responsibility to the shareholders with its responsibility to society.</p>

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Key matter raised by the shareholders		Response from the Board/ Management
2)	Measures taken by the Company to address the logging issues in Ulu Muda Forest Reserve (UMFR) area.	<p>The Company, together with the Penang State Government, has called for an outright ban of logging activities during the World Water Day celebrations held in Penang recently. The public has also been called to support the anti-logging in Ulu Muda campaign.</p> <p>The Company has raised the logging issues with the Federal Government as well as the Kedah State Government. The Menteri Besar of Kedah has also responded favourably and has said that he is ready to discuss. Instructions have also been given to the Group CEO to work together with the State Secretary's Office to initiate a bilateral meeting between the Penang and Kedah State Governments with the Federal Ministry in attendance to address this issue.</p> <p>The bilateral meeting will also include discussion on the compensation request from the Federal Government to Kedah Government for stopping the logging activities in UMFR area.</p>
3)	Rebates on water bills to flood victims which cost the Company approximately RM16 million.	The Company explained that although the one-off discount on water bills cost the Company approximately RM16 million was amongst the factors which contributed to the Company's lower profits, the rebates was nevertheless done in good faith with the intention to assist the affected victims to overcome the difficult and challenging period after the flood disaster.

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Key matter raised by the shareholders		Response from the Board/ Management
4)	To reduce the Corporate Social Responsibility (“CSR”) Contribution to sport activities.	The Company will review and monitor the Company’s CSR contribution to sport organisations and activities in the State of Penang, so as to keep it at a comfortable and acceptable level.
5)	To raise the water tariff price to a reasonable/profitable level, instead of selling it below cost to domestic consumers.	The Company will review the tariff from time to time to ensure that the interests of all relevant parties could be well taken care.
6)	Proposal to the Company to declare higher dividend	The Company will strive to declare a higher dividend and the bonus shares, subject to the satisfactory performance of the Company.
7)	MSWG also referred to the new Federal Government’s recent directive which states that the politicians should not sit on the board of Government-Linked Companies	The Company noted the comments from MSWG and reiterated that the Company will always abide with directives from the Federal Government and do the needful.
8)	To limit the tenure of Independent Director and to ensure the welfare of PBA workers are also taken care of.	The Company took note of the views from the shareholder/proxy holder with regard to the tenure of Independent Directors. The Company is giving due consideration to the interests of the workers.

There being no other questions, the Meeting accepted the audited financial statements for the financial year ended 31 December 2017, together with the Reports of the Directors and Auditors thereon as presented.

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AGENDA 2

**TO APPROVE A FINAL SINGLE TIER DIVIDEND OF 2.25 SEN PER SHARE IN RESPECT OF THE FINANCIAL YEAR ENDED 31 DECEMBER 2017.
(RESOLUTION 1)**

Resolution 1 was approved by the shareholders.

AGENDA 3

TO RE-ELECT THE FOLLOWING DIRECTORS WHO ARE RETIRING IN ACCORDANCE TO THE COMPANY'S CONSTITUTION: -

ARTICLE 114

- | | |
|---|----------------|
| a. YB TUAN PHEE BOON POH | (RESOLUTION 2) |
| b. YB TUAN LIM HOCK SENG | (RESOLUTION 3) |
| c. YB DATO' HAJI ABDUL MALIK BIN
ABUL KASSIM | (RESOLUTION 4) |
| d. YBHG. DATO' AGATHA FOO TET SIN | (RESOLUTION 5) |
| e. PUAN MARY GERALDINE PHIPPS | (RESOLUTION 6) |

Resolution 2 to re-elect YB Tuan Phee Boon Poh was approved by the shareholders.

Resolution 3 to re-elect YB Tuan Lim Hock Seng was withdrawn because he had ceased to hold office as a Government-Appointed Director of the Company with effect from 14 May 2018.

Resolution 4 to re-elect YB Dato' Haji Abdul Malik Bin Abul was withdrawn because he had ceased to hold office as a Government-Appointed Director of the Company with effect from 14 May 2018.

Resolution 5 to re-elect YBhg. Dato' Agatha Foo Tet Sin was approved by the shareholders.

Resolution 6 to re-elect Puan Mary Geraldine Phipps was approved by the shareholders.

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AGENDA 4

TO RE-APPOINT MESSRS GRANT THORNTON AS AUDITORS OF THE COMPANY UNTIL THE CONCLUSION OF THE NEXT AGM AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION. (RESOLUTION 7).

Resolution 7 was approved by the shareholders.

AGENDA 5

AS SPECIAL BUSINESS, TO PASS THE FOLLOWING RESOLUTIONS:

5.1 PAYMENT OF BENEFITS PAYABLE TO THE DIRECTORS UP TO AN AMOUNT OF RM450,000.00 FROM 29 JUNE 2018 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY. (RESOLUTION 8)

Resolution 8 was approved by the shareholders.

PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF ITS ISSUED AND PAID-UP ORDINARY SHARE CAPITAL (RESOLUTION 9)

Resolution 9 was approved by the shareholders.

5.2 MANDATE FOR YBHG. DATO' AGATHA FOO TET SIN WHO HAS SERVED AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY FOR A CUMULATIVE TERM OF MORE THAN NINE (9) YEARS, TO CONTINUE TO ACT AS INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY. (RESOLUTION 10)

Resolution 10 was approved by the shareholders.

There being no further queries from the shareholders, the AGM concluded at 11.50 a.m., with a vote of "thank you" to the Chair.