

**Type : Announcement**  
**Subject : PBA HOLDINGS BHD ("PBAHB" OR "COMPANY")**  
**REDUCTION OF WATER INTAKE FEE BY THE STATE GOVERNMENT OF PENANG FOR 2018**

1. **INTRODUCTION**

Reference is made to the earlier announcements released by the Company on 7 March 2016 and 14 March 2016 respectively pursuant to Paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Listing Requirements") in relation to the increase of Water Intake Fee from the rate of 3 sen per cubic meter ("per cu.m") to 6 sen per cu.m imposed by the State Government of Penang against a wholly-owned subsidiary of the Company, namely Perbadanan Bekalan Air Pulau Pinang Sdn Bhd ("PBAPP") based on PBAPP's actual production volume annually from year 2016 to 2018.

PBAHB wishes to announce that PBAPP has on 12 December 2017 received a letter from the State Government of Penang, approving its application to reduce the Water Intake Fee from the rate of 6 sen per cu.m to 3 sen per cu.m based on the annual actual production volume for year 2018 only ("Proposed Reduction"). The State Government of Penang reserves the right to review the Water Intake Fee in year 2019 to determine such fee for the next 3 years.

2. **DETAILS OF THE PROPOSED REDUCTION**

Based on the estimated production volume for the period from 1 January 2016 to 31 December 2018, it was envisaged that the Annual Water Intake Fee before Proposed Reduction to be made payable by PBAPP to the State Government of Penang is approximately RM63.4 million for 3 years.

The above Water Intake Fee which was imposed by Penang State Government is pursuant to the power rendered to the State pursuant to Article 110 of The Federal Constitution. The said recurrent related party transaction ("RRPT") entered into by PBAPP with State Government of Penang is revenue/trading in nature which is necessary for day-to-day operations and in the ordinary course of business on terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of PBAHB.

On 9 November 2017, the State Government of Penang had announced that PBAPP will be giving water rebates for 2 months to reduce the burden caused by the major flood that occurred in Penang on 4 November 2017. As such, PBAPP had also submitted its application to the State Government of Penang requesting for a reduction of the existing Water Intake Fee from the rate of 6 sen per cu.m to 3 sen per cu.m for year 2018 ("Application" ) in order to minimise the Group's financial burden.

The State Government of Penang had approved PBAPP's Application and agreed to reduce its Water Intake Fee from the rate of 6 sen per cu.m to 3 sen per cu.m based on the annual actual production volume for year 2018 only.

3. **FINANCIAL EFFECTS**

The Proposed Reduction will not have any effect on the issued and paid-up share capital and shareholdings of the substantial shareholders of PBAHB.

The Proposed Reduction is not expected to have any material effect of the net assets and the earnings of the Company for the financial years ending 31 December 2017 as the Proposed Reduction is only applicable for the year 2018.

4. **APPROVALS REQUIRED**

The RRPT value arising from the proposed payment of the Annual Water Intake Fee for year 2018 is expected to exceed the prescribed threshold of 1% of the applicable percentage ratio as stated in the Listing Requirements, but it is expected to be less than 5% of the said applicable percentage ratio based on the financial results of the Company for the year ended 31 December 2016. Henceforth, the above Proposed Reduction is not subject to the approval of the shareholders and any other governmental authorities.

However, if the total aggregate value of the RRPT is expected to be equal to or exceeds 5% of the percentage ratio as stipulated in the Listing Requirements based on the latest audited financial statements of PBAHB, the Company may seek the shareholders' mandate for the RRPT pursuant to paragraph 10.09 of the Listing Requirements at general meeting.

5. **DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST**

The above Water Intake Fee is regarded as RRPT pursuant to the Listing Requirements by virtue of the substantial shareholdings held by State Government of Penang through the State Secretary, Penang ("SSI") in the Company and the relationship between State Government of Penang and SSI. SSI is a major shareholder of the Company, holding 55% of the total issued and paid up capital of the Company as at 30 November 2017. The RRPT involves the payment of Annual Water Intake Fee by PBAPP to the State Government of Penang, of which SSI is deemed to have an interest.

YB Dato' Seri Farizan bin Darus, being the Director and his position as State Secretary of Penang State Government, is deemed interested in the above proposal, has abstained and shall continue to abstain from all deliberation and voting at the Board of Directors' meetings in respect of the transaction(s) between the Group with State Government of Penang.

In addition to the above, the other appointed government appointed directors, namely YAB Lim Guan Eng, YB Dato' Haji Mohd Rashid bin Hasnon, YB Prof. Dr. P. Ramasamy a/l Palanisamy, YB Tuan Lim Hock Seng, YB Dato' Haji Abdul Malik bin Abul Kassim, YB Tuan Phee Boon Poh, YB Tuan Chow Kon Yeow and YB Dato' Sarul Bahiyah binti Abu have also abstained and shall continue to abstain from all deliberation and voting at the Board of Directors' meetings in respect of the transaction(s) between the Group with State Government of Penang.

Save as disclosed above, none of the Directors and/or substantial shareholders of the Company and the Group and/or persons connected to them have any interest, direct or indirect, in the above Proposed Reduction.

6. **STATEMENT BY AUDIT COMMITTEE AND BOARD OF DIRECTORS**

As the above Water Intake Fee are imposed by State Government of Penang which is within the State's jurisdiction, the Audit and Risk Management Committee and the Board of Directors of PBAHB (other than the Interested Directors who have abstained from voting and deliberation), having considered the rationale for the Proposed Reduction, are of the view that the above RRPT is necessary for the day-to-day operations of PBAPP.

This announcement is dated 13 December 2017.