

8. INFORMATION ON PBAHB GROUP

8.1 History and Principal Activity

PBAHB was incorporated in Malaysia on 25 May 2000 as a public limited company under the Companies Act, 1965. PBAHB is an investment holding company with a single subsidiary, namely PBAPP, involved in the business activities of the Water Supplier in the State.

Previously, the supply of water was under the City Council of Georgetown and Jabatan Kerja Raya, Pulau Pinang. Subsequently, it was taken over by PBA on 1 January 1973 pursuant to the Penang Water Authority Enactment 1972. PBA was established in 1973 as a State Statutory Authority to manage the water supply within the State.

Pursuant to the approval of the State Government in August 1997 and the EPU in June 1998, PBA was corporatised as PBAPP on 1 March 1999 under the Penang Water Authority (Successor Company) Enactment 1998.

8.2 Objectives of the Corporatisation

PBAPP was corporatised so that it can:-

- (i) restructure itself into a more effective, customer-oriented and versatile organisation which can address the increasingly complex water supply needs of Penang in the twenty-first century;
- (ii) explore new avenues of business which can generate more revenue;
- (iii) act quickly and more innovatively in retaining and seeking more raw water sources for the State;
- (iv) reward and retain its loyal, experienced and committed workforce who are the corporation's primary assets;
- (v) be a fully self-sustaining and accountable corporate entity; and
- (vi) better serve the needs of all levels of water consumers i.e. domestic, commercial and industrial.

8. INFORMATION ON PBAHB GROUP (*Cont'd*)

8.3 Corporatisation Exercise

On 1 March 1999, PBAPP was granted the operating licence pursuant to Section 16 of the Water Supply Enactment 1998 to operate as the Water Supplier in the State. The operating licence is regulated and controlled by the DWS.

The operating licence fee is RM100,000 per year, paid to the State Government for the period from 1 March 2000 to 31 December 2005. For the period from 1 March 1999 to 29 February 2000, PBAPP paid a licence fee of RM50,000 to the State Government.

With effect from 1 March 1999, PBA transferred all movable property, choses-in-action, rights and liabilities pertaining to the movable property to PBAPP by way of a vesting order pursuant to Section 3(1) of the Penang Water Authority (Successor Company) Enactment 1998.

With effect from 1 March 1999, PBA transferred selected immovable property, namely land, buildings, reservoirs, treatment plants and all super structures and infrastructures directly related to the operations to PBAPP by way of a vesting order pursuant to Section 4(2) of the Penang Water Authority (Successor Company) Enactment 1998. The remaining immovable property comprising the dams, recreation and catchment lands, canals and water mains which are strategic in nature and of national interest, were retained by the State Government.

The valuation of all selected assets comprising movable and selected immovable properties transferred to PBAPP was based on the Audited Accounts of PBA as at 28 February 1999 at the total NBV of RM100,536,896. In exchange, PBAPP issued 83,780,747 ordinary shares of RM1.00 each to SSI based on the exchange value of RM1.20 per share. In addition, PBAPP issued a Special Share of RM1.00 each to SSI that enables the State Government to ensure that certain major decisions affecting the operations of the company and of public interest are protected.

For the utilisation of the other existing dams (excluding Teluk Bahang dam) and water mains owned by the State Government, PBAPP entered into a Lease Agreement with effect from 1 March 1999 with the State Government. The fixed lease charge of RM500,000 per year is for 5 years from 1 January 2000 to 31 December 2004.

8. INFORMATION ON PBAHB GROUP (Cont'd)

On 1 March 1999, PBAPP assumed PBA's Government Loans amounting to RM226,172,276. With effect from 1 January 2000, part of the Government loans amounting to RM122,000,000 granted for the Teluk Bahang dam development was converted into 81,333,333 ordinary shares of RM1.00 each based on the exchange value of RM1.50 per share issued by PBAPP to SSI. In addition, PBAPP entered into a Lease Agreement on 1 January 2000 with the State Government for the lease of land including any building or structure, dam, mains or pipes under or on the surface of such land, related to Teluk Bahang Catchment upon the terms and conditions stated therein. The terms and conditions of this lease agreement are further set out in Section 14.6(ii) of this Prospectus.

8.4 Listing Exercise

In conjunction with and as part of the listing of and quotation for the entire issued and paid-up ordinary share capital of PBAHB on the Main Board of the KLSE, the Company undertook the listing exercise involving the following inter-conditional transactions:-

(i) Acquisition of PBAPP by PBAHB

On 1 June 2000, a conditional SPA was executed between PBAHB and SSI, for PBAHB to acquire the entire issued and paid-up share capital of PBAPP comprising 165,114,082 ordinary shares of RM1.00 each in PBAPP held by SSI for RM265,825,236, based on the Audited Accounts of PBAPP as at 31 December 1999.

Upon approval from the SC on 21 February 2001, the above SPA was concluded between PBAHB and SSI on 7 March 2001. The acquisition was satisfied by way of an issuance of 139,999,998 new ordinary shares of RM1.00 each in PBAHB to SSI valued at RM1.90 per share. On the same date, SSI also acquired the 2 Subscribers' shares in PBAHB.

(ii) Sub-division of PBAHB's par value from RM1.00 each to RM0.50 each

On 15 August 2001, PBAHB effected a change in the par value of its ordinary shares and the Special Share from RM1.00 each to RM0.50 each, by way of a sub-division of its ordinary shares and the Special Share. Arising from the above, the issued and paid-up share capital of PBAHB was changed from 140,000,000 ordinary shares of RM1.00 each to 280,000,000 ordinary shares of RM0.50 each.

8. INFORMATION ON PBAHB GROUP *(Cont'd)*

(iii) Issuance of 2 Special Shares to SSI and the Redemption of 1 Special Share

On 22 August 2001, PBAHB issued 2 Special Shares of RM0.50 each to SSI. Subsequently on 29 August 2001, the Company redeemed 1 of the 2 Special Shares out of proceeds of a fresh issue of 1 ordinary share of RM0.50 each made for the purpose of the redemption, thus leaving SSI with only 1 Special Share in PBAHB.

The shareholding structure is as follows:-

Shareholder	Before Listing	
	No. of Shares [^]	%
SSI	280,000,002	100.00
Total	280,000,002	100.00

Note:- [^] Inclusive of 1 Special Share

(iv) Public Issue and OFS of PBAHB Shares

In conjunction with the listing of PBAHB, the following will be undertaken:-

- (a) SSI will offer for sale approximately 97,950,000 of its PBAHB Shares to Malaysian institutional investors and eligible employees and retirees of PBAHB Group at an offer price of RM1.30 per Share.
- (b) PBAHB will undertake a Public Issue of 51,000,000 new PBAHB Shares representing 15.41% of the enlarged issued and paid-up share capital of 331,000,002 shares to the investing registered domestic water consumers of Penang, the Malaysian public and Malaysian institutional investors at an issue price of RM1.30 per Share.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(v) Resultant Shareholding Structure

The resultant shareholding structure of PBAHB upon listing will be as follows:-

Shareholder	Before Listing	OFS	Public Issue	After Listing	
	No. of Shares	No. of Shares	No. of Shares	No. of Shares	%
SSI	280,000,002 [^]	(97,950,000)	-	182,050,002 [^]	55.0
PDC	-	33,100,000	-	33,100,000	10.0
YBPP	-	33,100,000	-	33,100,000	10.0
Malaysian institutional investors	-	15,447,000	1,103,000	16,550,000	5.0
Employees	-	16,303,000	-	16,303,000	4.9
Consumers	-	-	33,100,000	33,100,000	10.0
Public	-	-	16,797,000	16,797,000	5.1
Total	280,000,002	-	51,000,000	331,000,002	100.0

Note:- [^] Inclusive of 1 Special Share

(vi) Listing and Quotation

PBAHB will seek admission to the Official List and the listing of and quotation for its entire enlarged issued and paid-up ordinary share capital of RM165,500,000.50 comprising 331,000,001 ordinary shares of RM0.50 each on the Main Board of the KLSE.

The above listing scheme was approved by the SC on 21 February 2001, the EPU on 26 January 2001 and the FIC on 23 November 2000.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(a) The approval of the SC was attached with the following conditions:-

	Conditions	Status of Compliance
(i)	<p>PBAHB must disclose in the Prospectus the following:-</p> <p>(a) The salient terms and conditions of water licence held by PBAPP;</p> <p>(b) The salient terms and conditions of the lease agreements between PBAPP and the State Government of Penang in respect of the immovable property related to the operation of water supply by PBAPP;</p>	<p>Complied. Appropriate disclosures have been made in Sections 6.3 and 8.3 para 1 & 2 of this Prospectus.</p> <p>Complied. Appropriate disclosures have been made in Sections 8.3 para 6 & 7 and 14.6(i) & (ii) of this Prospectus.</p>
(ii)	<p>(a) The adviser/MIMB must ensure that Pink Form allocation to the eligible directors and employees of PBAHB Group complies with SC guidelines and to inform SC upon completion of the allocation;</p> <p>(b) The adviser/MIMB must ensure that the allocation to the domestic consumers of PBAPP complies with SC guidelines and to inform SC upon completion of the allocation;</p>	<p>Will be complied.</p> <p>Will be complied.</p>

8. INFORMATION ON PBAHB GROUP (Cont'd)

	Conditions	Status of Compliance
(iii)	PBAHB Group/MIMB must comply fully to the requirements in relation to the listing of companies as provided under the Policies and Guidelines on Issue/Offer of Securities of the SC, particularly as stipulated in chapters 7, 10 and 25 of the Guidelines;	Complied/ To be complied, if applicable.
(iv)	In respect of the utilisation of proceeds from the Public Issue:- (a) Approval of the SC must be obtained for any change in the utilisation if the change involve utilisation for a purpose other than the core business of PBAHB Group; (b) Approval of the shareholders of PBAHB Group must be obtained for any change equal to 25% or more of the original utilisation. If the change being contemplated is less than 25%, appropriate disclosures must be made to the shareholders of PBAHB; (c) Any extension of time from the period already determined by PBAHB in respect of the utilisation of proceeds must be approved by a conclusive resolution of the Board of Directors of PBAHB and must be fully disclosed to the KLSE; and (d) Appropriate disclosures on the status of utilisation of proceeds must be made in the Quarterly Reports and Annual Reports of PBAHB until the proceeds have been fully utilised.	To be complied, if applicable. To be complied, if applicable. To be complied, if applicable. To be complied, if applicable.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(b) The main conditions imposed by the Government/EPU to PBAHB are:-

	Conditions	Status of Compliance																																		
(i)	PBAHB will be listed on the Main Board of the KLSE with enlarged and issued and paid-up capital of RM165,500,001.	Complied.																																		
(ii)	<p>The allocation of equity holding in PBAHB upon listing must be as follows:-</p> <table style="width: 100%; margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>SSI</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>PDC</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>YBPP</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>Employees</td> <td style="text-align: center;">5.0</td> </tr> <tr> <td>Consumers</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>Public</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>Total</td> <td style="text-align: center;"><u>100.0</u></td> </tr> </tbody> </table>		%	SSI	55.0	PDC	10.0	YBPP	10.0	Employees	5.0	Consumers	10.0	Public	10.0	Total	<u>100.0</u>	<p>Complied. Appropriate disclosures have been made in Section 5.3(i) to (iv) of this Prospectus.</p> <table style="width: 100%; margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">%</th> </tr> </thead> <tbody> <tr> <td>SSI</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>PDC</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>YBPP</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>Employees</td> <td style="text-align: center;">4.9</td> </tr> <tr> <td>Consumers</td> <td style="text-align: center;">10.0</td> </tr> <tr> <td>Public</td> <td></td> </tr> <tr> <td>(inclusive of Malaysian institutional investors)</td> <td style="text-align: center;">10.1</td> </tr> <tr> <td></td> <td style="text-align: center;"><u>100.0</u></td> </tr> </tbody> </table>		%	SSI	55.0	PDC	10.0	YBPP	10.0	Employees	4.9	Consumers	10.0	Public		(inclusive of Malaysian institutional investors)	10.1		<u>100.0</u>
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	<u>100.0</u>																																			
(iii)	The allocation of OFS Shares to eligible directors and employees is offered at the issue price; and	Complied.																																		
(iv)	<p>To protect the interests of the State Government of Penang and the water consumers, the State Government of Penang through SSI maintains 55% shareholding in PBAHB at all times.</p> <p>If the State Government of Penang were to reduce its shareholding in PBAHB to less than 51%, a concession agreement between the State Government of Penang and PBAHB must be executed and duly signed to safeguard the interests of the State Government of Penang and the water consumers.</p>	Will be complied.																																		

8. INFORMATION ON PBAHB GROUP (Cont'd)

(c) The FIC approved the following conditions to the IPO:-

	Conditions	Status of Compliance
(i)	The equity held by Bumiputra and Government agencies in PBAHB will be at least 75% upon listing;	Complied.
(ii)	The approval of the Ministry of International Trade and Industry; and	Not applicable.
(iii)	The approval of the SC.	Complied.

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8. INFORMATION ON PBAHB GROUP (Cont'd)

8.5 Changes in Share Capital of PBAHB

(i) Authorised Share Capital

The authorised share capital of PBAHB is RM500,000,001 comprising 1,000,000,001 ordinary shares of RM0.50 each and 1 Special Share of RM0.50 each.

(ii) Issued and Paid-up Share Capital

The changes in the issued and paid-up share capital since incorporation are as follows:-

Date of allotment/ redemption	No. of shares allotted/ (redeemed)	Par value (RM)	Consideration	Cumulative issued and paid- up share capital (RM)
Special Share				
22.08.2001	2	0.50	Cash	1.00
29.08.2001	(1)	0.50	Redeemed out of the proceeds of a fresh issue of 1 ordinary share of RM0.50 each	<u>0.50</u>
Ordinary shares				
25.05.2000	2	1.00	Subscribers' shares	2.00
07.03.2001	139,999,998	1.00	Issued pursuant to the acquisition of PBAPP at a premium of approximately RM0.90 per ordinary share	140,000,000.00
15.08.2001	140,000,000	0.50	Subdivision of every ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	140,000,000.00
29.08.2001	1	0.50	Issue 1 ordinary share of RM0.50 each to redeem 1 Special Share of RM0.50 each	<u>140,000,000.50</u>

8. INFORMATION ON PBAHB GROUP *(Cont'd)*

8.6 Subsidiary

PBAPP is the sole subsidiary of PBAHB. Its corporate detail and business activities are set out as follows:-

Subsidiary	Date of Incorporation	Issued and Paid-up Share Capital (RM)	% Held by PBAHB	Principal Activity
PBAPP	26 January 1999	165,114,083 [^]	100	An entity licensed to undertake business activities of a water supplier involved in the abstraction of raw water, treatment of water, supply and sale of treated water to consumers

Note:- [^] Inclusive of 1 Special Share

PBAHB does not have any associated companies as at the date of this Prospectus.

Further details on PBAPP is set out as follows:-

(i) **Brief History and Business**

PBAPP was incorporated in Malaysia on 26 January 1999 as a private limited company under the Companies Act, 1965 upon the corporatisation of PBA vide the Penang Water Authority (Successor Company) Enactment 1998.

The principal activity of PBAPP is to undertake the business activities of a Water Supplier in the State.

There are 10 water treatment facilities in Penang in good working conditions. The treatment processes are generally conventional with proven technology that are monitored and controlled from a central location. These facilities are maintained periodically to achieve optimal operation as well as rehabilitated and refurbished to improve its efficiency. As at 30 September 2001, PBAPP employed 988 skilled and semi-skilled staff. To operate the treatment plants, PBAPP also engages several contractors to maintain these facilities.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(ii) Share Capital

The present authorised share capital of PBAPP is RM300,000,001 comprising 300,000,000 ordinary shares of RM1.00 each and 1 Special Share of RM1.00 each. The present issued and paid-up share capital of PBAPP is RM165,114,083 comprising 165,114,082 ordinary shares of RM1.00 each and 1 Special Share of RM1.00 each.

The changes in the issued and paid-up share capital since incorporation are as follows:-

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
Special Share				
29.12.1999	1	1.00	Cash	1.00
Ordinary shares				
26.01.1999	2	1.00	Subscribers' shares	2.00
30.12.1999	83,780,747	1.00	Issued pursuant to the purchase of the net assets of PBA at a premium of RM0.20 per ordinary share	83,780,749.00
01.01.2000	81,333,333	1.00	Issued pursuant to the capitalisation of a portion of term loans due to the State Government at a premium of RM0.50 per ordinary share	165,114,082.00

(iii) Major Shareholder

PBAHB is the major shareholder of PBAPP.

(iv) Subsidiary and Associated Companies

PBAPP does not have any subsidiary or associated companies as at the date of this Prospectus.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(v) Employees

As at 30 September 2001, PBAPP has 988 employees comprising categories as follows:-

Professional & Management	Sub-Professional & Executive	Clerical & Technical	Skilled Labour	Semi Skilled Labour	Total
34	6	334	130	484	988

8.7 Business Overview of PBAHB Group

8.7.1 Business Operations

Pursuant to Section 16 of the Water Supply Enactment 1998, the DWS with the approval of the State Authority on 1 March 1999 issued a licence to PBAPP, PBAHB's sole subsidiary to operate as the Water Supplier in the State. The operations of PBAPP is regulated by the DWS, the established regulatory body appointed by the State Authority under the Water Supply Enactment 1998.

PBAPP has monopoly of the water industry in the State as currently, it is the only company licensed by the State Government to operate as the Water Supplier, to source and treat water and to supply treated water to consumers as well as the various industries located in both Penang Island and Seberang Perai in the mainland.

PBAHB Group's business operation serves the population of about 1.26 million people as well as the various industries located in the State. As the sole water supplier in the State, PBAPP supplied treated water to 374,073 metered consumers as at 31 December 2001, comprising 50.55% in Penang Island and 49.45% in Seberang Perai.

Analysis of consumer count as at 31 December 2001 is as follows:-

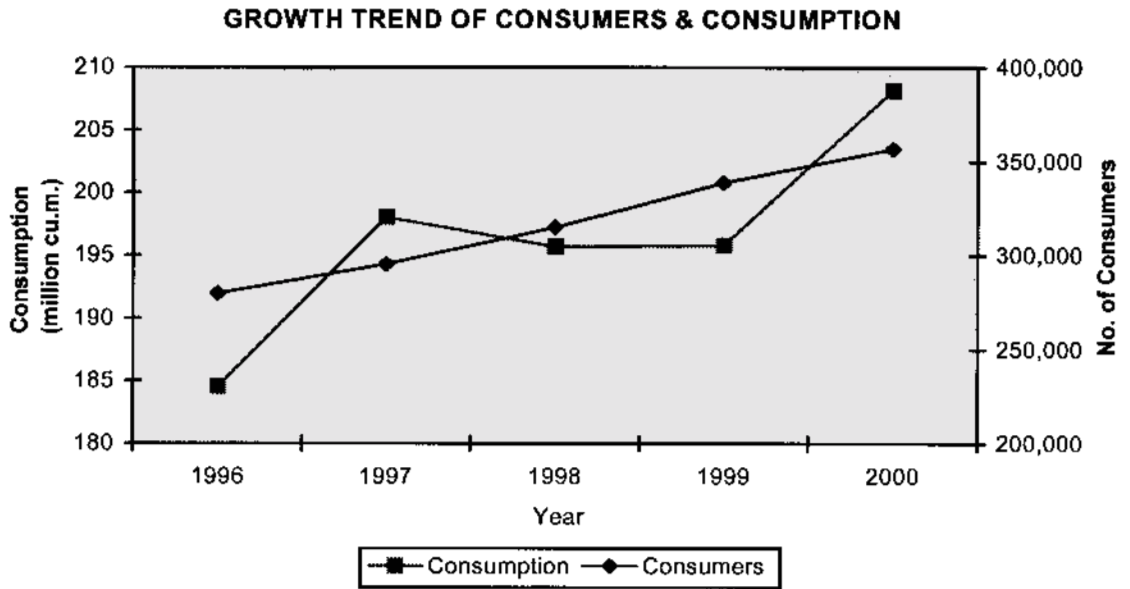
	Domestic		Trade		Total	
	No. of service	%	No. of service	%	No. of service	%
Penang Island	170,387	90.10	18,721	9.90	189,108	50.55
Seberang Perai	162,153	87.67	22,812	12.33	184,965	49.45
Total	332,540	88.90	41,533	11.10	374,073	100.00

8. INFORMATION ON PBAHB GROUP (Cont'd)

The estimated water consumption of Penang for 2001 are as follows:-

	Domestic		Trade		Total	
	Consumption (million cu.m.)	%	Consumption (million cu.m.)	%	Consumption (million cu.m.)	%
Penang Island	64.55	59.54	43.86	40.46	108.41	100
Seberang Perai	64.38	57.68	47.23	42.32	111.61	100
Total	128.93	58.60	91.09	41.40	220.02	100

For the past 5 years, the water consumption and number of consumers in the State are set out graphically as follows:-



8.7.2 Water Resources

The main source of raw water is from Sungai Muda. There are 6 dams in the State with a total water storage capacity of 46.0 million cu.m., accounting for 2 months of water supply based on the average daily water demand of 0.73 million cu.m. in 2000.

8. INFORMATION ON PBAHB GROUP (Cont'd)

In 2001, PBAPP has a total design capacity to supply about 1.10 million cu.m. of treated water per day from its 10 treatment plants. The water supply system facilities in the State consists of the following:-

- 3 major impounding dams, Teluk Bahang, Air Itam and Mengkuang and 3 small dams;
- 10 water treatment plants;
- 38 pumping stations;
- 61 reservoirs;
- 3,382 kilometres of pipes (100 millimetres diameter and above); and
- 374,073 metered consumers as at 31 December 2001.

Upon completion of the treatment plants in the Muda 4 project in year 2003, the total capacity to supply treated water would increase by 10.0% to 1.21 million cu.m. per day.

The PBAHB Group's actual and projected annual water consumption (without taking into consideration NRW) for the State for the period 2000 – 2010 are as follows:-

Type of Consumers	Actual 2000 (million cu.m.)	Projection 2005 (million cu.m.)	Projection 2010 (million cu.m.)
Domestic	122.50	147.56	170.09
Trade	85.68	115.94	150.75
Total	208.18	263.50	320.84

8.7.3 Water Treatment Processes

There are 10 water treatment facilities in Penang in good working conditions. The treatment processes are generally conventional with proven technology that are monitored and controlled from a central location.

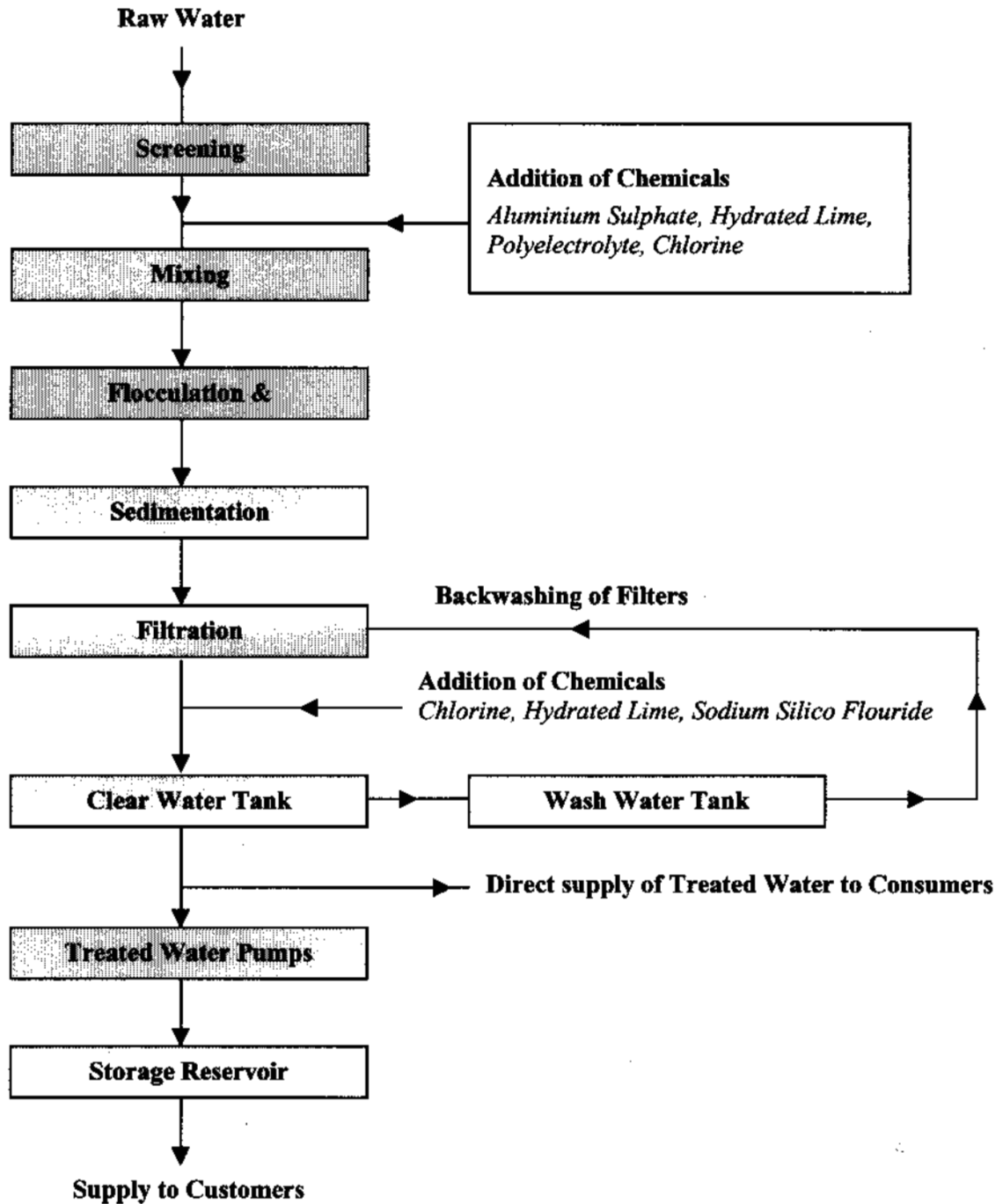
These facilities are maintained periodically to achieve optimal operation as well as rehabilitated and refurbished to improve its efficiency. As at 30 September 2001, PBAPP employed 988 skilled and semi-skilled staff. To operate the treatment plants, PBAPP also engaged several contractors to maintain these facilities.

The water supply process undertaken by PBAPP is summarised as follows:-

- Sourcing of raw water;
- Treatment of raw water; and
- Supply of treated water.

8. INFORMATION ON PBAHB GROUP (Cont'd)

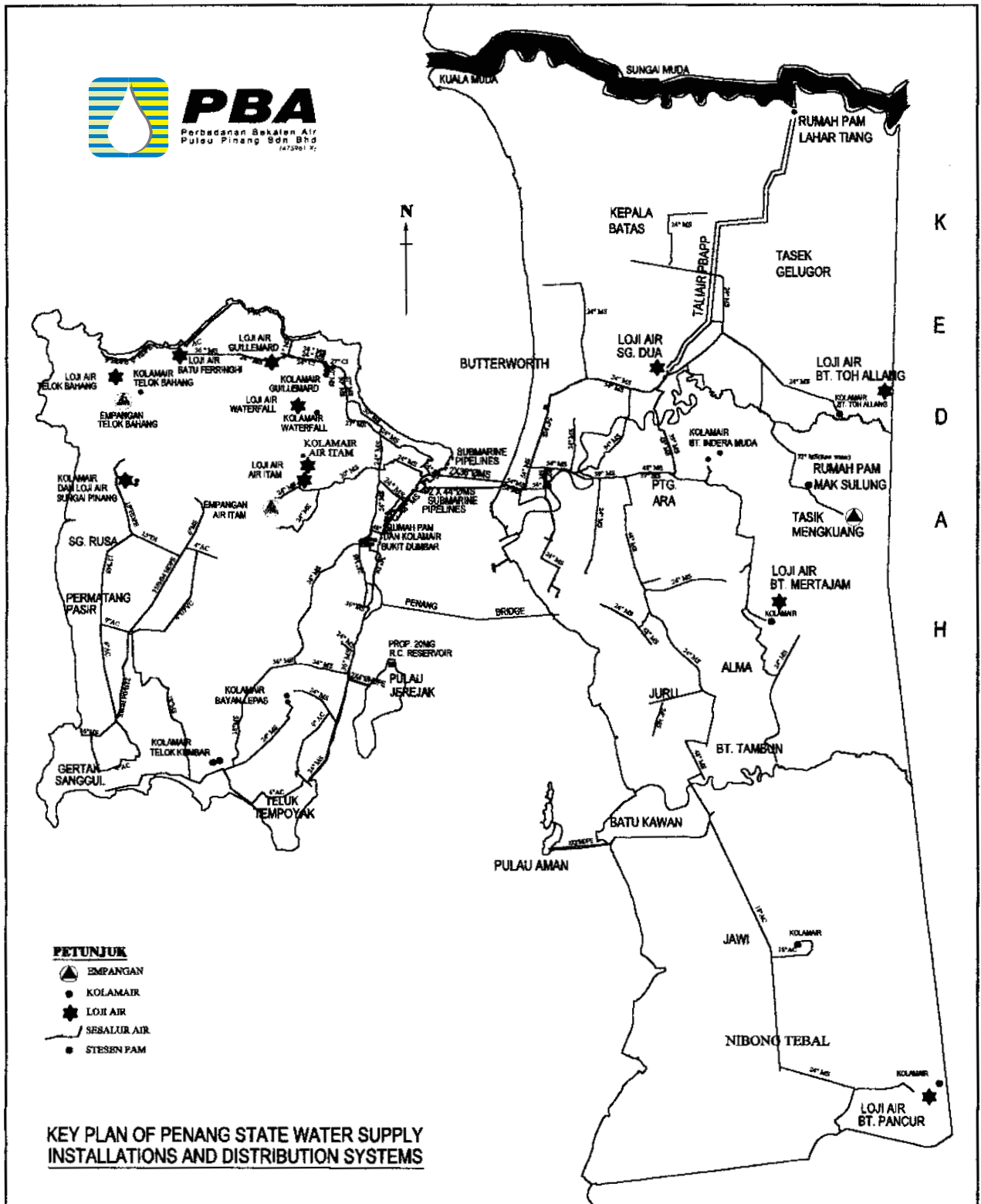
The following illustrates the water treatment process:-



8. INFORMATION ON PBAHB GROUP (Cont'd)

8.7.4 Location of Dams, Reservoirs, Treatment Plants and Mains Distribution Networks

The following map illustrates the location of dams, reservoirs, treatment plants and mains in the State:-



8. INFORMATION ON PBAHB GROUP (*Cont'd*)

8.7.5 Methods of Distribution

There were about 374,073 metered consumers in 2001, served by a total length of about 3,382 km of pipes in various sizes. The existing main pipes owned by the State Government are leased by PBAPP whilst the development of new mains will be borne and owned by PBAPP. PBAPP needs to maintain and refurbish the distribution network regularly to reduce NRW.

Besides the pipe network, the reservoir forms part of the major component in the water distribution system whereby the treated water is stored before supplying to consumers. In Penang, there are 61 reservoirs strategically located to serve the consumers and is also able to accommodate future expansions.

In addition, the pumping stations also forms part of the major component in the water distribution system where treated water is pumped to the various reservoirs for storage. Presently, there are 38 pumping stations under the purview of PBAPP.

8.7.6 Source and Availability of Materials

(i) Raw Water

About 80% of the bulk of raw water for the State is sourced from Sungai Muda. When flows in Sungai Muda is insufficient during the dry season, usually between January to March, it is supplemented by Mengkuang dam, which is able to supply about 30% of the State's daily water requirement. There is no formal agreement between the State and Kedah on the abstraction of water from Sungai Muda. The State has a total catchment area measuring about 61.4 sq. km. or 6% of the Penang land area of around 1,031 sq. km.

Currently, the 6 dams in the state have a total water storage capacity of 46.0 million cu.m., which is equivalent to 2 months of water supply. It is anticipated that the demand of water is expected to increase in the near future. PBAPP is planning to build a new pumping station at Lahar Tiang, widen Sungai Dua Canal and construct additional treatment facilities at Sungai Dua, under the Muda 4 scheme to cope with the increasing demand. To date, PBAPP has completed the construction of the Teluk Bahang dam and the Batu Ferringhi treatment plant.

With the completion of the above projects in year 2003, the daily production capacity will increase by 10.0% to 1.21 million cu.m. from 1.10 million cu.m. in 2000.

8. INFORMATION ON PBAHB GROUP *(Cont'd)*

(ii) **Chemicals**

The main chemicals used for the treatment of water are Aluminium Sulphate, Chlorine and Hydrated Lime, which amounted to more than 95% of the total expenditure on chemicals. In 2000, PBAHB Group spent RM2.79 million on chemicals or 3.50% of the Group's total expenditure of RM80.74 million. Efficient stocking of chemicals is very important for the treatment process, as any disruption may be costly to PBAPP. PBAPP maintains excellent rapport with its chemical suppliers as it has established long term relationships with these suppliers.

(iii) **Energy**

The energy expenditure comprising electricity and diesel used for the water pumps and treatment plants, are the most important components in the production of water. In order for smooth and continuous operation of the water production, PBAPP ensures that any disruption in electricity is backup by generators to supply electricity to treatment plants and pump houses. Presently, PBAHB Group is able to operate 60% of its capacities in the event of a major electricity failure.

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8. INFORMATION ON PBAHB GROUP (Cont'd)

8.7.7 Water Tariff

In comparison with the other water rates charged in Malaysia, PBAPP rates are among the lowest, both for domestic and trade consumers. The table below sets out the comparison of water rates in 2001:-

State	Average Water Tariff (Domestic) RM/cu.m.	Average Water Tariff (Industrial) RM/cu.m.
Kelantan	0.31	0.70
P.Pinang	0.31	0.94
Terengganu	0.52	1.15
Kedah	0.53	1.20
N. Sembilan	0.55	0.92
Sarawak	0.56	1.19
Pahang	0.57	1.45
Perlis	0.57	1.30
Melaka	0.59	1.40
Bintulu	0.61	1.21
Kuching	0.62	1.06
Sibu	0.62	1.06
Sri Aman, Limbang, Sarikei, Kapit	0.62	1.06
Perak	0.67	1.40
Johor	0.72	2.22
Selangor	0.72	1.91
Labuan	0.90	0.90
Sabah	0.90	0.90

Note:- Average water tariff for domestic used applies on the first 35m³
Average water tariff for industrial used applies on the first 500m³
The above tariff is correct at press time (September 2001)

(Source : Malaysian Water Association 2001)

To commensurate with the cost of inflation, the water tariff has been revised effective 1 January 2001 after 8 years from the previous revision in year 1993. Despite this, the consumers in the State still enjoy one of the lowest water tariff rates in the country.

8. INFORMATION ON PBAHB GROUP (Cont'd)

The new monthly water tariffs in the State effective 1 January 2001 are as follows:-

Category	RM/cu.m.
Domestic (cu.m.)	
Minimum Charge RM2.50	
0-20	0.22
20-40	0.42
40-60	0.52
60-200	0.90
>200	1.00
Trade (cu.m.)	
Minimum Charge RM10.00	
0-20	0.52
20-40	0.70
40-200	0.90
>200	1.00
Trade Special (cu.m.)	
Minimum Charge RM10.00	
Fixed Rate	1.20
Trade Shipping (cu.m.)	
Minimum Charge RM10.00	
Fixed Rate	2.00
Domestic – Bulk (cu.m.)	
Minimum Charge RM26.00	
>90	0.35

8.7.8 Production Pattern

In 2001, the daily water demand for the state of Penang is approximately 0.758 million cu.m., which is supported by 10 water treatment plants with a daily total supply capacity of 1.10 million cu.m. It is expected that the water consumption demand would grow at a rate of 3.5% per year and by year 2005, the current capacity would not be able to sustain the water demand. The State Government has embarked on an expansion plan by developing additional storage facilities whilst PBAPP is concurrently increasing its treatment facilities and new reservoirs to cope with the expected increase in water demand.

8. INFORMATION ON PBAHB GROUP (Cont'd)

8.7.9 Capital Expenditure

Prior to the corporatisation, PBA enjoyed financial support from the State Government's soft loans for its capital expenditures on the development of the expansion of the water supply system.

Upon corporatisation, the State Government through the DWS will be responsible for major capital expenditures for the development of water resources to cope with the increasing water demand in the State. However PBAPP, the sole subsidiary of PBAHB will continue to undertake the development of the treatment facilities, distribution networks and maintenance of the water supply system. The PBAHB Group projected its total capital expenditure for 5 years to be approximately RM475.0 million.

Projects / RM'million	2000	2001	2002	2003	2004	Total
Water Resources Development						
- Muda 4	0.5	7.0	25.0	28.0	20.5	81.0
- Batu Ferringhi Treatment Plant	48.0	14.0	2.0	-	-	64.0
Upgrading Treatment Plants	0.5	0.5	7.5	13.0	8.5	30.0
Reservoir	-	6.5	27.0	26.5	11.0	71.0
Trunk Mains	6.0	20.0	28.5	8.5	4.0	67.0
Replacement of Mains	5.0	9.0	13.0	10.0	8.0	45.0
Buildings & Quarters	5.0	3.0	13.0	12.0	15.0	48.0
Equipment	2.0	2.0	4.0	4.0	3.0	15.0
Water Meters	2.5	5.0	4.0	4.0	4.5	20.0
Computerisation & GIS	0.5	4.0	4.0	4.0	2.5	15.0
Health & Industrial Safety	-	1.0	3.0	3.0	3.0	10.0
NRW Consultancy & Equipment	-	2.0	3.0	2.0	2.0	9.0
Total	70.0	74.0	134.0	115.0	82.0	475.0

Upon completion of the listing exercise in 2002, PBAHB will raise net proceeds of about RM62.30 million from the Public Issue of 51,000,000 Shares at an issue price of RM1.30 per Share after deduction of the listing expenses amounting to RM4.0 million. The net proceeds will be advanced to PBAPP for its planned capital expenditure and will be fully utilised by August 2003.

Besides utilising the proceeds from the Public Issue of RM62.30 million, the Company will use its internally generated funds and borrowings to finance the remaining RM412.70 million planned capital expenditure.

8. INFORMATION ON PBAHB GROUP (Cont'd)

8.7.10 Capacity Buffer of Treated Water

With regards to the total water storage capacity of treated water in the State, PBAPP is able to maintain a daily storage capacity of 0.4 million cu.m. of treated water. In 2001, PBAPP's daily total treatment capacity is about 1.10 million cu.m., sufficient to supply to the daily total demand of about 0.758 million cu.m. The total water demand in the State is expected to increase steadily in the future as the State is progressing into a developed status. To meet the increasing demand, PBAPP has developed the treatment plants of Muda 4 project, which will increase the daily total treatment capacity to about 1.21 million cu.m. by the year 2003.

8.7.11 Clientele Base

As at 31 December 2000, the PBAHB Group had about 356,797 metered consumers in the State comprising 88.9% domestic consumers and 11.1% trade consumers. The composition of clientele in the State has been stable since 1996. While the number of registered domestic consumers increased steadily by 26% from 251,758 consumers in 1996 to 317,190 consumers in 2000, trade consumers grew at a significant rate of 41.6% from 27,973 consumers in 1996 to 39,607 consumers in 2000. This is a reflection of the robust economic and industrial growth of the State.

As at 31 December 2001, the total metered consumers in Penang had grown to 374,073 consumers, of whom 332,540 were domestic consumers and 41,533 were trade consumers.

8.7.12 Suppliers Base

PBAHB Group is not dependent on any supplier for its energy, chemicals and store purchases. The Group has established long term relationships with most of its major suppliers for over 28 years and very few suppliers supply more than 10% of the Group's cost of sales and store purchases.

8. INFORMATION ON PBAHB GROUP (Cont'd)

The list of major suppliers for the Group based on the percentage of the Group's cost of sales for the 6 months ended 30 June 2001 is as follows:-

No.	Major Suppliers	Purchases	RM'000	% of the Group's Cost of Sales	Length of relationship (Years)
1.	Tenaga Nasional Berhad	Electricity	11,801	34.51	29
2.	Bekaltek Sdn. Bhd.	Chemical (Liquid Chlorine & Aluminium Sulphate)	979	2.86	10
3.	Pembinaan Murugen	Road Reinstatement	468	1.37	3
4.	Gas Pantai Timur Sdn. Bhd.	Fuel (Diesel)	321	0.94	16
5.	Perdagangan Dayamas	Chemical (Hydrated Lime)	185	0.54	10

Based on the percentage of the Group's store purchases for the 6 months ended 30 June 2001, the list of major suppliers is as follows:-

No.	Major Suppliers	Purchases	RM'000	% of the Group's Store Purchases	Length of relationship (Years)
1.	Pakar Sains Sdn. Bhd.	Pipes (DI) and Meters	2,846	45.07	6
2.	Asmana Enterprise Sdn. Bhd.	Pipe Fittings (Spigot & Socket)	919	14.56	1
3.	R.D Trading	Pipes (Poly & HDPE)	819	12.98	3
4.	Kejuruteraan Lin Hup Sdn. Bhd.	Pipe Fittings (Spigot & Socket)	605	9.58	1
5.	Hutfad Piping & Engineering (PG) Sdn. Bhd.	Pipe Fittings	450	7.13	5

8. INFORMATION ON PBAHB GROUP (Cont'd)

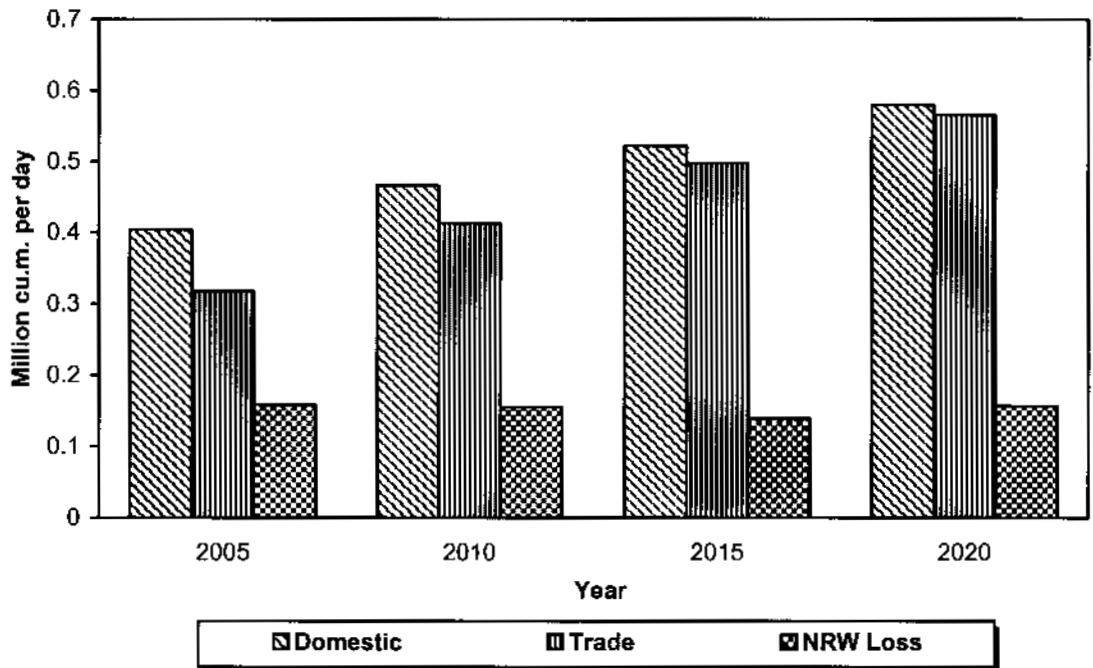
8.8 Future Prospects of PBAHB Group

8.8.1 Water Demand Forecast

Based on PBAPP's projections, the estimated water demand for Penang from 2005 – 2020 is as follows:-

Year	(a) Domestic Consumption (million m ³ /day)	(b) Trade Consumption (million m ³ /day)	(c) (a)+(b) Total Consumption (million m ³ /day)	(d) (f)-(c) NRW Loss (million m ³ /day)	(e) (d)/(f) NRW (%)	(f) Total Production (million m ³ /day)
2005	0.404	0.317	0.721	0.158	18.00	0.879
2010	0.466	0.413	0.879	0.155	15.00	1.034
2015	0.522	0.498	1.020	0.139	12.00	1.159
2020	0.580	0.566	1.146	0.156	12.00	1.302

WATER DEMAND FORECAST FOR PENANG



8. INFORMATION ON PBAHB GROUP (Cont'd)

8.8.2 Market Share/Market Ranking/Reputation

The PBAHB Group is the first holistic water utility company in the country that will be listed on the Main Board of the KLSE. PBAHB's sole subsidiary, PBAPP has monopoly of the water industry in the State by virtue of the licence granted by the State Government.

The water quality in the state has been consistently maintained as the company practises standards prescribed by the MOH.

8.8.3 Proven Water Services Capabilities/Awards

Prior to the corporatisation and the listing of the PBAHB Group, the State's water supply was under PBA. PBA had excellent track records namely, a profitable body with one of the lowest water tariff in the country, lowest NRW i.e. 23% in the country and excellent revenue collection rate of 98%.

PBAPP was presented the Government Category of the Asia Water Management Excellence Awards 2000 on 2 May 2000 for outstanding policies conducive to excellent water related services contributing to a significant improvement of the use, protection and conservation of water resources in the region.

On 27 April 2001, PBAPP was awarded the Malaysian Water Association Outstanding Water Awards for Management for its immense contribution and outstanding achievements in promoting ideas resulting in technological improvements. The outstanding achievements of PBAPP include:-

- providing 100% supply in urban areas and 99% in rural areas
- maintaining rates that are among the lowest in Malaysia
- sustaining the lowest non-revenue losses nationwide
- achieving 98% revenue collection efficiency
- attaining a pre-tax profit in excess of RM40.0 million

The PBAHB's sole subsidiary, PBAPP has always adhered to the standard set by WHO for its water treatment system.

8. INFORMATION ON PBAHB GROUP *(Cont'd)*

8.8.4 Marketing/Promotion/Strategies

On 8 October 1999, PBAPP launched the new corporate logo to:-

- create public awareness on its identity, mission and vision;
- publicise the water supply scenario and challenges in Penang; and
- initiate the cultivation of a new corporate culture amongst its employees.

Although the NRW of Penang is one of the lowest in Malaysia, PBAPP is actively reviewing and taking necessary actions to cut down further the percentage on NRW. PBAHB Group has also forged a link with the Penang Skills Development Centre to implement a comprehensive human resource development programme which provides training and team building courses for all levels of employees, so as to cultivate a more proactive, result-oriented and friendly corporate culture.

PBAPP has launched a water awareness programme and sponsored Water Watch Penang, a non-profit organisation, to publicise water supply issues and challenges, with a view to secure public understanding and support for the corporation's plan and programmes, as well as future water tariff revisions.

8.9 Future Plans and Strategies of PBAHB Group

(i) Aspirations

PBAHB Group's objective is to manage water supply effectively and innovatively to meet the increasing water demand in the twenty-first century. The PBAHB Group aspires to do the following:-

- improve and further enhance water supply in Penang;
- meet the needs of all levels of users;
- plan ahead to meet the water needs of tomorrow;
- provide more responsive and customer-oriented services;
- manage water sources effectively for a water-stressed state;
- support sustainable development;
- cultivate a green environment; and
- educate the public on the importance of saving and conserving water.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(ii) The Muda River Water Scheme 4

PBAHB Group plans to accelerate the additional abstraction of raw water for the State by 0.49 million cu.m. per day in stages to meet the projected increase in demand for raw water from 0.73 million cu.m. per day in year 2000 to 1.16 million cu.m. per day in year 2015. To this end, the Muda River Water Scheme Phase 4 was implemented under the 7th Malaysian Plan. PBAHB Group will focus on the following proposed water source development schemes and treatment works to meet the increasing raw water demand in the State in year 2015:-

(a) Expansion of Abstraction from Sg. Muda

With the increasing demand for raw water supply in the State, further expansion of abstraction from Sg. Muda is necessary. To increase the abstraction rate from Sg. Muda to supply the Sg. Dua treatment works, PBAPP will upgrade the Lahar Tiang Pump Station and widen the Sg. Dua Canal. The upgrading of the Lahar Tiang Pump Station will increase the total output capacity to 1.23 million cu.m. per day whereas the widening of Sg. Dua Canal will increase the conveyance capacity from its current level of 0.64 million cu.m. per day to 1.64 million cu.m. per day by year 2003.

(b) Proposed New Treatment Works

The proposed treatment works at Sg. Dua will expand the existing treatment capacity of the State by 0.44 million cu.m. per day and will be developed in three stages with the final stage expected to be completed by the end of year 2009. Other works associated with the expansion are as follows:-

- Construction of a low lift pump station and deepening of the balancing pond to replace the existing low lift pump station supplying the existing Sg. Dua treatment plant as well as the new plant;
- Construction of bulk chemical handling for the new plant and sludge treatment facilities for the old and new plants; and
- Construction of clear water tank and high lift pump station to increase the transfer of treated water to Penang island from the new plant.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(iii) Upgrading of Treatment Plants

PBAPP plans to upgrade the following treatment plants:-

- Bukit Toh Allang;
- Bukit Panchor;
- Balik Pulau;
- Air Itam; and
- Waterfall.

(iv) Construction of New Reservoirs

PBAPP plans to construct the following reservoirs:-

- Bukit Dumbar with storage capacity of 45,000 cu.m.;
- Batu Maung with storage capacity of 45,000 cu.m.;
- Genting Balik Pulau with storage capacity of 12,000 cu.m.;
- Bukit Indera with a storage capacity of 45,000 cu.m.; and
- Tok Kangar with a storage capacity of 45,000 cu.m..

(v) Laying of New Trunk Mains

PBAPP plans to improve the following trunk mains to improve the distribution system in the State:-

- Weld Quay to Bukit Dumbar;
- Weld Quay to Gurney Drive;
- Tg. Bungah to Batu Ferringhi;
- Bukit Indera Muda to Bukit Mertajam;
- Bukit Tambun to Sg. Bakap;
- Sg. Bakap to Nibong Tebal; and
- Nibong Tebal to Sg. Acheh.

8. INFORMATION ON PBAHB GROUP (Cont'd)

(vi) Non-Revenue Water

PBAPP plans to implement a comprehensive non-revenue water programme which will effectively reduce the percentage of NRW to 18% by year 2005. The following programmes have been planned to achieve this target:-

- to monitor and ensure speedy pipe repairs;
- ensure accurate measurements of production outputs from water treatment plants;
- implementation of district metering for new housing schemes;
- implementation of zone metering for measurement and analysis of base night flows;
- implement Active Leakage Control (ALC) programme;
- control of materials approved for use in the water supply systems e.g. valves, pipes and fittings; and
- ensure accuracy of water meters and implement meter replacement programme.

(vii) Management Information System

To improve the overall quality of the services provided to the customers, a customer service system has been developed to allow the customer service personnel to be on-line to provide fast, accurate and latest information. The current computer network infrastructure will be expanded to link all offices that provide customer service. The network and the computer hardware will be upgraded to increase the safety, reliability and speed of transfer between offices and the data center at the headquarters.

A state-of-the-art Supervisory Control and Data Acquisition System (SCADA) will be used to:-

- improve and help the management of all facilities;
- ensure constant quality and quantity of the water production; and
- reduce water losses at every step of the production and supply.

A predictive and preventive maintenance system will be deployed to integrate the inventory of all equipment, suppliers, stores, etc. The system will issue automatically work orders and tools required.

8. INFORMATION ON PBAHB GROUP *(Cont'd)*

A general management information system will be developed to integrate the data from the following systems:-

- Accounting systems and human resource systems;
- Billing systems;
- Customer service systems;
- Stock and preventive maintenance;
- GIS; and
- SCADA.

(viii) GIS

PBAPP plans to upgrade the GIS to meet the new management's objectives in making PBAPP a customer-oriented water supply organisation. These involve the following:-

- conversion into water supply GIS platform;
- customization of GIS to suit PBAPP requirements;
- training of GIS operators and management; and
- setting up of GIS enquiry facilities at activity centres.

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9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT

9.1 Shareholder/Offeror

Pursuant to the listing exercise of PBAHB, SSI will offer for sale approximately 97,950,000 of its Shares in PBAHB, thereby reducing its shareholding from 100% to 55% of the enlarged issued and paid-up share capital of 331,000,002 shares.

SSI as a body empowered to enter into contracts and to hold and enjoy movable and immovable properties of every description on behalf of the State Government, shall hold 1 Special Share each in PBAPP and PBAHB with the par value of RM1.00 each and RM0.50 each respectively. On 29 December 1999, PBAPP issued 1 Special Share of RM1.00 each to SSI as part of the corporatisation exercise. On 22 August 2001, PBAHB issued 2 Special Shares of RM0.50 each to SSI after the completion of the acquisition exercise. Subsequently on 29 August 2001, SSI requested PBAHB to redeem 1 of the 2 Special Shares out of the proceeds of a fresh issue of 1 ordinary share of RM0.50 each made for the purpose of the redemption. Thus, SSI holds 1 Special Share each in PBAHB and PBAPP respectively.

Upon completion of the IPO, SSI remains as the major shareholder of PBAHB. The details of SSI are as follows:-

(i) **Corporation Type and Date of Incorporation**

Body corporate incorporated under State Secretary Penang (Incorporation) Enactment, 1988.

(ii) **Registered Address**

Pejabat Setiausaha Kerajaan Negeri
Tingkat 25, KOMTAR
10000 Penang

(iii) **Beneficial Owners**

The State Government of Penang.

(iv) **Principal activity**

As a body corporate, SSI is empowered on behalf of the State Government to enter into contracts and to hold and enjoy movable and immovable properties of every description including power to sell, mortgage or otherwise dispose of any movable or immovable property vested in it upon such terms as it deems fit.

(v) **Major shareholding in other companies**

Nil.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The changes in shareholders with shareholding of 5% or more and their shareholdings for the past 3 years in PBAHB are as follows:-

Shareholders	Description	Date of allotment/ redemption	No. of shares allotted/ (redeemed)	Par value (RM)	Cumulative issued and paid- up share capital (RM)
Special Share					
SSI	2 Special Shares to SSI	22.08.2001	2	0.50	1.00
SSI	Redeemed out of the proceeds of a fresh issue of 1 ordinary share of RM0.50 each	29.08.2001	(1)	0.50	<u>0.50</u>
Ordinary shares					
2 Individuals	Subscribers' shares	25.05.2000	2	1.00	2.00
SSI	Issued pursuant to the acquisition of PBAPP at a premium of approximately RM0.90 per ordinary share	07.03.2001	139,999,998	1.00	140,000,000.00
SSI	SSI acquired the 2 Subscribers' shares from the 2 individuals	07.03.2001	-	-	-
SSI	Subdivision of every ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each	15.08.2001	140,000,000	0.50	140,000,000.00
SSI	Issue 1 ordinary share of RM0.50 each to redeem 1 Special Share of RM0.50 each	29.08.2001	1	0.50	<u>140,000,000.50</u>

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

9.2 Directors and Key Management

The Board of Directors of PBAHB is identical to the Board of Directors of PBAPP except for the 3 Independent Directors appointed at PBAHB and the additional Director appointed at PBAPP.

9.2.1 Board Of Directors

The profile of the Directors of PBAHB is as follows:-

Y.A.B. Tan Sri Dr Koh Tsu Koon, aged 52, is the Chairman of PBAHB and PBAPP. He was appointed to the Board of Directors of PBAHB and PBAPP on 13 June 2000 and 1 March 1999 respectively. Presently, he is the Chief Minister of Penang and has been in this position since October 1990. He obtained his Bachelor of Arts (in Physics) from Princeton University, USA in 1970, Masters of Arts (Education) Degree and Doctor of Philosophy in Economics of Education from University of Chicago, USA in 1973 and 1977 respectively.

Tan Sri Dr Koh started his career as a lecturer at the Universiti Sains Malaysia in 1975 and was promoted to the Deputy Dean of Education at Universiti Sains Malaysia in 1978. He was elected a Member of the Federal Parliament of Malaysia in 1982 and was the Political Secretary to the former Chief Minister of Penang in 1986. He was elected a Member of the Penang State Legislative Assembly in 1990 and re-elected in 1995 and 1999.

Tan Sri Dr Koh is also the Chairman of the Penang Development Corporation since 1990.

Tan Sri Dr. Koh has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

Y.B. Dato' Dr Hilmi bin Haji Yahaya, aged 52, is the Deputy Chairman of PBAPP. He was appointed to the Board of Directors of PBAHB and PBAPP on 13 June 2000 and 24 December 1999 respectively. Presently, he is the Deputy Chief Minister of Penang and was appointed to this position in 1999. He obtained his Bachelor of Medicine and Surgery Degree from University of Malaya in 1977.

Dato' Dr Hilmi started his career as a Medical Officer at the Ministry of Health in 1977. He was elected a Member of the Penang State Legislative Assembly in 1990 and appointed to the current position in 1999.

Dato' Dr Hilmi has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Y.B. Dato' Koay Kar Huah, aged 54, was appointed to the Board of Directors of PBAHB and PBAPP on 13 June 2000 and 24 December 1999 respectively. Presently, he is the State EXCO in charge of Public Works, Public Utilities and Transportation since the last election in 1999. He obtained his Bachelor of Science Degree with Honours from University of Malaya in 1972 and is a member of the Institute of Electrical and Electronic Engineers, USA. He also obtained a Diploma in Management from the Malaysian Institute of Management in 1980.

Before his political career, Dato' Koay served in various multinational electronic companies in Penang, namely Advanced Micro Devices Sdn Bhd, Motorola (M) Sdn Bhd and Monolithic Memories (M) Sdn Bhd at Bayan Lepas Free Industrial Zone, Penang as engineer and manager. He was also the Factory Manager of Federal Cables, Wire and Metal Manufacturing Sdn Bhd at Mak Mandin, Butterworth. Dato' Koay became a State Assemblyman of Penang since 1995.

Dato' Koay has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

Y.B. Dato' Khalid bin Ramli, aged 52, was appointed to the Board of Directors of PBAHB and PBAPP on 25 May 2000 and 26 January 1999 respectively. Presently, he is the Penang State Secretary and was appointed to this position in March 2000. He obtained his Bachelor of Arts Degree with Honours from University of Malaya in 1972 and Master of Public Administration Degree from University of Southern California, USA in 1984.

Dato' Khalid started his career in the civil service in 1972 as an Administrative Trainee Officer at the Ministry of Foreign Affairs, Kuala Lumpur. He held various positions in the public service. He was the Penang State Financial Officer before his appointment to the present position.

Dato' Khalid is an ex-officio member of the Penang State EXCO and also the Head of Penang State Civil Service.

Dato' Khalid has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Y.B. Dato' Alizatul Khair bte Osman Khairuddin, aged 48, was appointed to the Board of Directors of PBAHB and PBAPP on 25 May 2000 and 1 March 1999 respectively. Presently, she is the Penang State Legal Adviser and was appointed to this position on 1 October 1995. She obtained her Bachelor of Laws Degree with Honours from University of Malaya in 1976 and Masters of Laws Degree from University of London in 1982.

Dato' Alizatul started her career in the civil service in 1976 as Legal Officer and was transferred to various High Courts as Senior Assistant Registrar, prior to further studies in 1981. She held various positions in the legal and judicial services before her appointment to the current position in 1995.

Dato' Alizatul is an ex-officio member of the Penang State EXCO.

Dato' Alizatul has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

Y.B. Abdul Hanan bin Alang Endut, aged 49, was appointed to the Board of Directors of PBAHB and PBAPP on 31 October 2001. Presently, he is the Penang State Financial Officer and was appointed to this position on 1 October 2001. He obtained his Bachelor of Economics Degree with Honours from University of Malaya in 1974 and MBA (International Finance) in 1985.

Y.B. Abdul Hanan started his career in the civil service in 1974 as an Assistant Secretary at Ministry of Finance. He held various positions in the public service. He was the Under Secretary of the International Relations Division at the Ministry of Primary Industries before his present appointment. He is an ex-officio member of the Penang State EXCO.

Y.B. Abdul Hanan has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Y. Bhg. Dato' (Dr) M. SHANmughalingam, aged 62, is an Independent Director of PBAHB and was appointed to the Board of Directors of PBAHB on 12 December 2001. He obtained a Bachelor of Arts (Honours) degree in Economics from Universiti Malaya in 1962, Masters degree in Economics and Government from Harvard University, USA in 1971, Doctorate of Philosophy from Oxford University, U.K. in 1978 and is a Fellow, Economic Development Institute, World Bank, USA.

He is now Managing Director of Trilogic Sdn Bhd (since 1996). Presently he sits on the boards of two public listed companies, namely Edaran Otomobil Nasional Berhad (EON) and Delloyd Ventures Berhad. He is also a Director of Mahkota Technologies (formerly known as the General Electric Company (GEC) Malaysia), MIDF Aberdeen Asset Management Sdn Bhd, Asli-Jardine Insurance Brokers Sdn Bhd, I.T Partners (Mal) Sdn Bhd, GIS Group Sdn Bhd and other private limited companies and on the advisory panels to the Malaysian Institute for Economic Research (MIER) and Asian Strategy and Leadership Institute (ASLI).

For the past 2 years preceding the date of this Prospectus, Y. Bhg. Dato' (Dr) M. SHANmughalingam has not held any directorships in any public corporations other than those mentioned above.

Y. Bhg. Dato' (Dr) M. SHANmughalingam has not held any substantial shareholdings in any other public corporations for the past 2 years preceding the date of this Prospectus.

Chew Kong Seng, aged 63 is an Independent Director of PBAHB and was appointed to the Board of Directors of PBAHB on 12 December 2001. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Association of Certified Public Accountants and the Malaysian Institute of Accountants. He had worked in United Kingdom from 1964 until 1970 and returned to Malaysia to join Turquand, Young & Co (now known as Ernst & Young) and held various senior positions in Ernst & Young including as Managing partner of the outfit from 1990 to 1996. His long work experience in the accounting profession covers a wide variety of industries including banking and financial institutions, timber based, manufacturing, trading and foreign investment.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Currently, he sits on the boards of the following public listed companies for which he has been a director for the past 2 years preceding the date of this Prospectus:-

Company	Position
Sarawak Enterprise Corporation Bhd	Executive Director
Great Wall Plastic Industries Berhad	Director
PETRONAS Gas Bhd	Independent Non-executive Director
PETRONAS Dagangan Bhd	Independent Non-executive Director
Industrial Concrete Products Bhd	Independent Non-executive Director
Jaya Jusco Stores Bhd	Independent Non-executive Director
Hong Leong Properties Berhad	Independent Non-executive Director

Mr Chew Kong Seng has not held any substantial shareholdings in any other public corporations for the past 2 years preceding the date of this Prospectus.

Tuan Haji Adlan bin Haji Mohamed Daud, aged 62 is an Independent Director of PBAHB and was appointed to the Board of Directors of PBAHB on 14 December 2001. After finishing his secondary education at the Penang Free School, he furthered his studies in the United Kingdom. He read Law at the Inns of Court, Middle Temple, and was called to the English Bar as a Barrister-At-Law in 1970 and was called to the Malaysian Bar as an Advocate and Solicitor of the High Court of Malaya in 1971. He set up the legal practice Messrs Adlan & Haji Suhaimi with two other partners in 1971 and is now practising under the style of Messrs Adlan, YP Cheong & Leong.

Apart from the directorship in CME Group, Tuan Haji Adlan has not held any directorships nor substantial shareholdings in any other public corporations for the past 2 years preceding the date of this Prospectus.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The profile of the Directors of PBAPP is as follows:-

Y.A.B. Tan Sri Dr Koh Tsu Koon

Please refer to Section 9.2.1 of this Prospectus.

Y.B. Dato' Dr Hilmi bin Haji Yahaya

Please refer to Section 9.2.1 of this Prospectus.

Y.B. Dato' Koay Kar Huah

Please refer to Section 9.2.1 of this Prospectus.

Y.B. Dato' Khalid bin Ramli

Please refer to Section 9.2.1 of this Prospectus.

Y.B. Dato' Alizatul Khair bte Osman Khairuddin

Please refer to Section 9.2.1 of this Prospectus.

Y.B. Abdul Hanan bin Alang Endut

Please refer to Section 9.2.1 of this Prospectus.

Y.Bhg. Dato' Ir Dr. Ashaari bin Mohamad, aged 48, was appointed to the Board of Directors of PBAPP on 27 June 2001. Presently, he is the Director of the Public Works Department, Penang and was appointed to this position on 16 June 2001. He obtained his Bachelor of Science (Engineering) Degree from University of Aberdeen in 1977, Master of Science from University of South Carolina, USA in 1981 and Doctor of Philosophy in Civil Engineering from University of New Hampshire in 1989.

Dato' Ir. Dr. Ashaari started his career in the civil service on 1 August 1977 as Civil Engineer at the Public Works Department's Headquarters, Kuala Lumpur attached with the Design and Research Unit. He held various positions in the public service and was the Director of Public Works Department, Perlis before his appointment to this current position.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Dato' Ir. Dr. Ashaari has not held any substantial shareholdings nor directorships in any other public corporations for the past 2 years preceding the date of this Prospectus.

9.2.2 Audit Committee

The audit committee of PBAHB comprises the following individuals:-

Name	Designation	Directorship
Chew Kong Seng	Chairman	Independent Director
Y.B. Abdul Hanan bin Alang Endut	Member	Director
Tuan Haji Adlan bin Haji Mohamed Daud	Member	Independent Director

9.2.3 Key Management

The key management team of PBAHB Group comprised of the following individuals:-

- (i) Ir Liew Chook San - CEO
- (ii) Ang Weng Joo - Chief Financial Officer
- (iii) Mohd Nizamuddin bin Mokhtar - Chief Legal Officer

The profile of the 3 key management personnel of PBAHB Group is as follows:-

Ir Liew Chook San, aged 51, was appointed as the General Manager of PBAPP on 1 March 1999. Later on 26 September 2001, he was also appointed as the CEO of PBAHB. He obtained his Bachelor of Engineering Degree from the University of Malaya in 1975. He started his career in the civil service in 1975 as Assistant Engineer at the Department of Irrigation and Drainage, Kedah. He held various positions in the public service. In 1985, he was posted as Senior Resident Engineer for the Muda Irrigation Project. In 1990, he became the Director of Department of Irrigation and Drainage (DID) for Perlis. Following his stint in Perlis, he was appointed Project Engineer for the Kerian-Sg Manik Project in 1992. He was the Director of DID for Penang before his appointment to the current position.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (*Cont'd*)

Ang Weng Joo, aged 60, was appointed as the Chief Financial Officer of PBAHB on 1 August 2001. He obtained his Bachelor of Commerce Degree from the University of New South Wales in 1966. He is a Chartered Accountant since 1971 and also a member of Malaysian Association of Certified Public Accountants since 1975. He is currently a Registered Accountant with the Malaysian Institute of Accountants. He had served in 2 Chartered Accountants Firms in Australia. After returning to Malaysia and serving 1 year in an International Accounting Firm, he joined PBA in 1973 as the Head of Account/Finance Department and opted to join PBAPP as the Chief Accountant upon corporatisation on 1 March 1999.

Mohd Nizamuddin bin Mokhtar, aged 35, joined PBAPP on May 2, 2001 as the Corporate Services Manager of PBAPP. Later on 26 September 2001, he was also appointed as the Chief Legal Officer of PBAHB. He graduated with a Degree in Law (LL.B) Honours from University of Malaya in 1991 and is a member of the Institute of Company Secretaries Malaysia. He was practising as an Advocate and Solicitor for 6 years before joining the corporate world. When he was a practising lawyer, he specialised in banking, company and land matters. He later joined Malaysian Technology Development Corporation Sdn. Bhd. (MTDC), a national venture company set up by the Government (under the Ministry of International Trade & Industry) as its Group Legal Advisor and Company Secretary. He also sat as the nominated-director for and on behalf of MTDC in its subsidiary companies.

The profile of the key management team of PBAPP is as follows:-

Ir Liew Chook San

Please refer to Section 9.2.3 of this Prospectus.

Abdul Hamid bin Mat Yusoff, aged 54, is the Manager of the Human Resource Department of PBAPP. He obtained his Bachelor of Social Science Degree with Honours from Universiti Sains Malaysia in 1978. He started his career in the civil service in 1968 at the Ministry of Health. In 1971, he joined Majlis Perbandaran Seberang Perai as Senior Public Health Inspector. He joined PBA in 1980 as Administrative Officer and opted to join PBAPP upon corporatisation on 1 March 1999.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Cheang Lai Juang, aged 48, is the Internal Auditor. She obtained her Bachelor of Commerce and Administration Degree from Victoria University of Wellington, New Zealand in 1977. She started her career as Audit Assistant in Price Waterhouse, Wellington, New Zealand in 1975 and joined BASF Chemdyes Sdn Bhd in 1978. In 1981, she joined PBA as an Accountant and subsequently assumed the position as an Internal Auditor in 1982. She opted to join PBAPP upon corporatisation on 1 March 1999.

Ir Jaseni Maidinsa, aged 44, is currently the Manager of the Development and Project Implementation Department of PBAPP. He opted to join PBAPP upon corporatisation on 1 March 1999. Having graduated in 1984 from the University of Glasgow, Scotland, UK with BSc. Honours Degree in Civil Engineering, he worked as a Road Engineer with JKR Penang before joining PBA in 1985 as the Distribution and Workshop Engineer. Later in 1987, he was appointed as Consumer Engineer. In 1991, he obtained a Diploma in Management with Merits from the Malaysian Institute of Management and was promoted to Senior Executive Engineer for Planning and Development in the same year. In 2001, he obtained his MBA from Universiti Sains Malaysia, Penang.

Ir Jeyabalan Kavendappan, aged 48, is the Manager of the Production Department of PBAPP. He obtained his Bachelor of Science Degree with Honours in Civil Engineering from Brighton Polytechnic, UK in 1977 and a Diploma in Management from the Malaysian Institute of Management in 1992. He started his career as an Engineer at PBA in 1977 and held various positions until he was promoted to Senior Executive Engineer in 1991. He opted to join PBAPP upon corporatisation on 1 March 1999.

Joyce Lee Suan Imm, aged 35, is the Finance Manager of PBAPP. She holds a professional qualification of the Malaysian Association of Certified Public Accountants. She is also a Chartered Accountant with the Malaysian Institute of Accountants. Prior to joining PBAPP in August 2001, she was attached to Ernst & Young, an international accounting firm from March 1986 to July 2001, where her last position was an Audit Manager and has had extensive exposure in auditing, profit and cashflow forecasts and projections and due diligence reviews. She is responsible for PBAPP's accounting and financial functions.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Ir Kan Cheong Weng, aged 50, is the Manager of the Strategic Planning and Technical Services Department of PBAPP. He obtained his Bachelor of Engineering Degree with Honours in Civil Engineering from University of Malaya in 1975 and a Diploma in Business Administration from the Malaysian Institute of Management. He started his career in the civil service in 1975 as an Engineer of the Muda Agriculture Development Authority and joined PBA in 1975 as the Distribution and Consumer Engineer and was promoted to Chief Executive Engineer in 1990. He opted to join PBAPP upon corporatisation on 1 March 1999.

Ir Koay Ban Hing, aged 48, is the Manager of the Operation Department of PBAPP. He obtained his Bachelor of Engineering (Civil & Structural) Degree with Honours from the University of Sheffield, England in 1977 and a Diploma in Management with Merits from the Malaysian Institute of Management in 1990. He is a Professional Engineer since 1983 and a Fellow of the Institution of Engineers, Malaysia since 1990. He started his career as a Consultant Engineer with Freeman Fox & Partners in 1977. He joined PBA in 1978 as Distribution Engineer and subsequently, he was promoted to Senior Executive Engineer in 1991. He opted to join PBAPP upon corporatisation on 1 March 1999.

Ir Leow Hup Hong, aged 47, is the Manager of Safety, Health and Quality Department of PBAPP. He obtained his Bachelor of Engineering Degree from Auckland University, New Zealand in 1980 and a Diploma in Management from Malaysian Institute of Management in 1988. He started his career in the civil service in 1980 as an Engineer of the Jabatan Kerja Raya, Kelantan and subsequently joined PBA at the end of 1980. He was promoted to Senior Executive Engineer in 1991 and also opted to join PBAPP upon corporatisation on 1 March 1999.

Mohd Nizamuddin bin Mokhtar

Please refer to Section 9.2.3 of this Prospectus.

Yen Choi Fong, aged 48, is the Information Technology Manager. She obtained her Bachelor of Electronic Engineering Degree with Honours from the University of Sheffield, England in 1977 and also a Member of the Malaysian National Computer Confederation. She started her career in the private sector for 4 years and joined PBA in 1982 as a System Analyst. She was promoted to her current position in 1998 and opted to join PBAPP upon corporatisation on 1 March 1999.

9. INFORMATION ON SHAREHOLDER/OFFEROR, DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

9.2.4 Family Relationship

There is no family relationship among the Directors and the management team, save for Ir Koay Ban Hing and Ms Yen Choi Fong who are spouses.

9.2.5 Employees

The key management of PBAHB Group is headed by the Group CEO and assisted by the Group Finance Manager and the Group Legal & Corporate Affairs Manager.

PBAHB's sole subsidiary, PBAPP is presently organised into 10 departments:-

- (i) Production Department;
- (ii) Operation Department;
- (iii) Development and Project Implementation Department;
- (iv) Safety, Health and Quality Department;
- (v) Strategic Planning and Technical Services Department;
- (vi) Finance Department;
- (vii) Human Resources Department;
- (viii) Information Technology Department;
- (ix) Corporate Services Department; and
- (x) Internal Audit Department.

As at 30 September 2001, PBAPP employed 988 employees comprising as follows:-

Professional & Management	Sub-Professional & Executive	Clerical & Technical	Skilled Labour	Semi Skilled Labour	Total
34	6	334	130	484	988

There are two unions, Kesatuan Kakitangan Perbadanan Bekalan Air Pulau Pinang Sdn Bhd and Kesatuan Pekerja-Pekerja Perbadanan Bekalan Air Pulau Pinang Sdn Bhd representing the Company's non-executive staff. The relationship between the Company and the two unions is cordial.