

# MSWG QUERIES

## Strategic & Financial Matters

1. In the Group Financial Review, it was reported that the increase in revenue across the different segments was marginally offset by decrease in gas processing revenue by RM17.2 million (1%). This was mainly due to a lower performance based structure (PBS) income as a result of lower Overall Equipment Effectiveness (OEE) plant liquid extraction performance as compared to the base OEE target, which typically already at a high level of efficiency, under the new Gas Processing Agreement. The impact of lower PBS income, however, was cushioned by strengthening of reservation charge under the new structure.
  - (i) What would be the expected level of performance for the OEE plant liquid extraction and how would this be achieved?
  - (ii) Would the Board expect the OEE plant liquid extraction performance to improve in FY2015?

# MSWG QUERIES

*The answer below is to address question (i) and (ii) above.*

Under the previous Gas Processing and Transportation Agreement (GPTA), performance based structure (PBS) income for liquid products was measured based on the export volume and petroleum product prices. This PBS income component contributes about 20% of the total gas processing fee. Under this term, low petroleum product prices and export volume would have an adverse impact to PGB as both of these factors are beyond our control.

Under the new Gas Processing Agreement (GPA) term, we have taken steps to improve the structure by strengthening the Reservation Charge (RC) component to about 97% of the total gas processing fee as PGB should be remunerated based on its availability and efficiency as an infrastructure company. Only the remaining 3% of the total gas processing fee relates to PBS income which is dependent on PGB ability to extract liquid products.

# MSWG QUERIES

The Overall Equipment Effectiveness (OEE) that we are measured against will vary from month to month depending on the agreed planned shutdown activities and allowance for unplanned shutdown.

Given the stronger RC component under the new GPA structure, the month to month OEE baseline target is now based on a stretch level of efficiency. The PBS income will be affected if there is more unplanned activities.

Despite the above, we do not expect significant financial impact arising from lower OEE performance as it is a small percentage of the overall fee structure.

Under PGB Transformation plan, there are various plant improvement initiatives focusing on improving plant liquid extraction performance which will translate to an improved PBS income in FY2015.

# MSWG QUERIES

The Kimanis Power Plant (KPP), a joint venture with Yayasan Sabah achieved full commercial operations in November 2014.

What would be the estimated contribution (in percentage) to the net earnings of PGB for FY2015?

On a full year basis, our 60% ownership in Kimanis Power Sdn Bhd (KPSB) is expected to contribute approximately 3% - 4% to PGB's profit.

# MSWG QUERIES

It was reported in the Chairman's Statement that PGB had benefitted from the first full-year operations of its new liquefied natural gas (LNG) Regasification Terminal in Sungai Udang, Melaka.

Could the Board provide an update on the progress of the proposed Lahad Datu Regasification Terminal?

The viability of LNG Regasification Terminal project in Lahad Datu, Sabah is very much dependent on the government's decision on the gas-fired power plant in Lahad Datu, Sabah.

# MSWG QUERIES

What was the nature of impairment losses on property, plant and equipment of RM30.85 million?

Impairment losses on property, plant and equipment of RM30.85 million relates to plant equipment in Utilities Kertih and Gebeng which have been underutilised and no longer required to be used in the production.

Accordingly, we have taken prudent step to impair these equipment.

# MSWG QUERIES

## Corporate Governance Matter

Under Recommendation 3.3 of the Malaysian Code on Corporate Governance, the board must justify and seek shareholders' approval in the event that it retains as an independent director, a person who has served in that capacity for more than 9 years.

We noted that the Company did not put up a separate resolution as recommended under Recommendation 3.3 for Dato' N. Sadasivan N.N. Pillay.

Please clarify.

The Board at its meeting held on 17 February 2015 had deliberated at length and unanimously agreed that Dato' N Sadasivan N.N. Pillay continues to play an active role as a Senior Independent Non Executive Director and believes that there are notable benefits to be acquired from his long serving tenure and he posses insightful knowledge of the Company's businesses and proceeding. In addition, the Nomination and Remuneration Committee has conducted an assessment on the Independence of Dato' N. Sadasivan N.N. Pillay and agreed that Dato' N. Sadasivan N.N. Pillay be maintained as an Independent Board Member based on the following rationale:

# MSWG QUERIES

He has submitted a written declaration of his independent status to the Board;

He continues to fulfil the criteria and definition of an Independent Director as set out under Paragraph 1.01 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR);

During his tenure in the office:

He has not transacted or entered into any transactions with, and have not provided any services to the Group within the scope and meaning set forth in Paragraph 5 of Practice Note 13 of MMLR;

He has not developed, established or maintained any significant relationship with the Executive Directors and major shareholders, other than normal engagements and interactions on a professional level as expected of him during the course of discharging his duties and responsibilities, which would impair his independence as an Independent Director;



# MSWG QUERIES

He has provided sufficient time and have discharged their duties and responsibilities without fear or favour, often providing independent judgement and challenging the conduct of the Group's business and financial performance;

He provided effective check and balance in the proceedings of the Board and the Board Committees; and

He exhibited high commitment and devoted sufficient time and attention to his responsibilities as Independent Non Executive Director.

Based on the above justifications, the Company did not include a separate resolution on the matter.

# MSWG QUERIES

For your information, we are publishing these answers in our corporate website ([www.petronasgas.com](http://www.petronasgas.com)) for our shareholders' and public viewing.



**THANK  
YOU**